

China, Japan and Regional Leadership in East Asia

To Derek, Stanley M., Stanley, William and Francis
You shall not be forgotten

China, Japan and Regional Leadership in East Asia

Edited by

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Preface

This book originates from a collaborative research project involving academics from the White Rose East Asia Centre (WREAC). Established in 2006, WREAC is an international centre of excellence on China and Japan funded by Britain's Higher Education Funding Council, the Economic and Social Research Council and the Arts and Humanities Research Council following a successful £4 million bid under the 2006 Language Based Area Studies initiative. The White Rose East Asia Centre is a joint endeavour between the University of Leeds and the University of Sheffield. The National Institute of Chinese Studies and the National Institute of Japanese Studies together constitute the White Rose East Asia Centre.

A WREAC research workshop on the subject of 'China, Japan and Regional Leadership in East Asia' was held at University House, Leeds on 11-12 July 2007. Organized by the book's editor, Dr Christopher Dent, the event brought together a number of distinguished scholars to discuss current developments in Sino-Japanese relations, and the prospects of China and Japan assuming positions and roles of leadership in the East Asia region. Subsequently revised papers presented at the research workshop form the basis of the book.

East Asia is becoming an increasingly prominent and coherent region in the international system. Thus, understanding how the region is, or will most likely be 'led' by particular leader actors is of some critical importance. This is in some way connected to emerging new governance structures of the East Asia region, for example through the construction of regional-multilateral organizations and frameworks such as the ASEAN Plus Three and East Asia Summit. As the stand-out regional leader actors in the region, much attention has been focused on China or Japan in relation to the above. These themes and ideas lie at the core of the book's analysis.

I would like to express my special thanks to a number of people. Firstly, to my WREAC project team colleagues – Glenn Hook, Caroline Rose, Hugo Dobson, Joern Dosch, Shogo Suzuki – for their constructive help in the research project's overall development. Thanks also to Jenni Rauch who provided very efficient and cheerful assistance in organizing the WREAC research workshop in July 2007. A big thank you, too, to Alexandra

O'Connell at Edward Elgar for brilliant help and encouragement through the book's development. Finally, an extra special thanks as always to all my family for their love, patience and support. This book is dedicated to the memory of Derek, Stanley M., Stanley, William and Francis.

Christopher M. Dent
Leeds, November 2007

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PART I

‘Leading’ the East Asia region

1. What region to lead? Developments in East Asian regionalism and questions of regional leadership

Christopher M. Dent

1. INTRODUCTION

East Asia is one of the world's most dynamic, diverse and important regions. It is also becoming an increasingly coherent region through the interplay of various integrative economic, political and socio-cultural processes. This development is generally referred to as 'regionalism', and is highly relevant to questions of regional leadership in East Asia. For there to be regional leadership, there must be some sort of coherent regional entity to lead. However, this is problematic in the sense that the very nature and demarcations of the East Asia region are contested and it has extra-dimensional aspects. For example, should an East Asia regional community be based on an ASEAN Plus Three or East Asia Summit (that is, including India, Australia and New Zealand) grouping? Furthermore, to what extent can we disaggregate regional integrative processes in East Asia that are constituent to wider international or global integrative processes, for example regional production networks that are part of global production networks?

This introductory chapter considers how East Asian regionalism has recently deepened in terms of its associative, integrational and organizational coherence, and notes the most important developments thereof. It then considers why regional leadership in East Asia is so important, and introduces the reader to the book's key themes of discussion. These include: the functions, expectations and benefits of regional leadership; matters concerning agency, structure, norms, identity and values; governance structure and issue-based perspectives; how styles and modes of regional leadership may differ; and, what possible alternative or proxy forms of regional leadership may arise. This book is premised on the view that China and Japan possess the most significant 'regional leader actor' capacity in East Asia in terms of various criteria (for example material, technocratic,

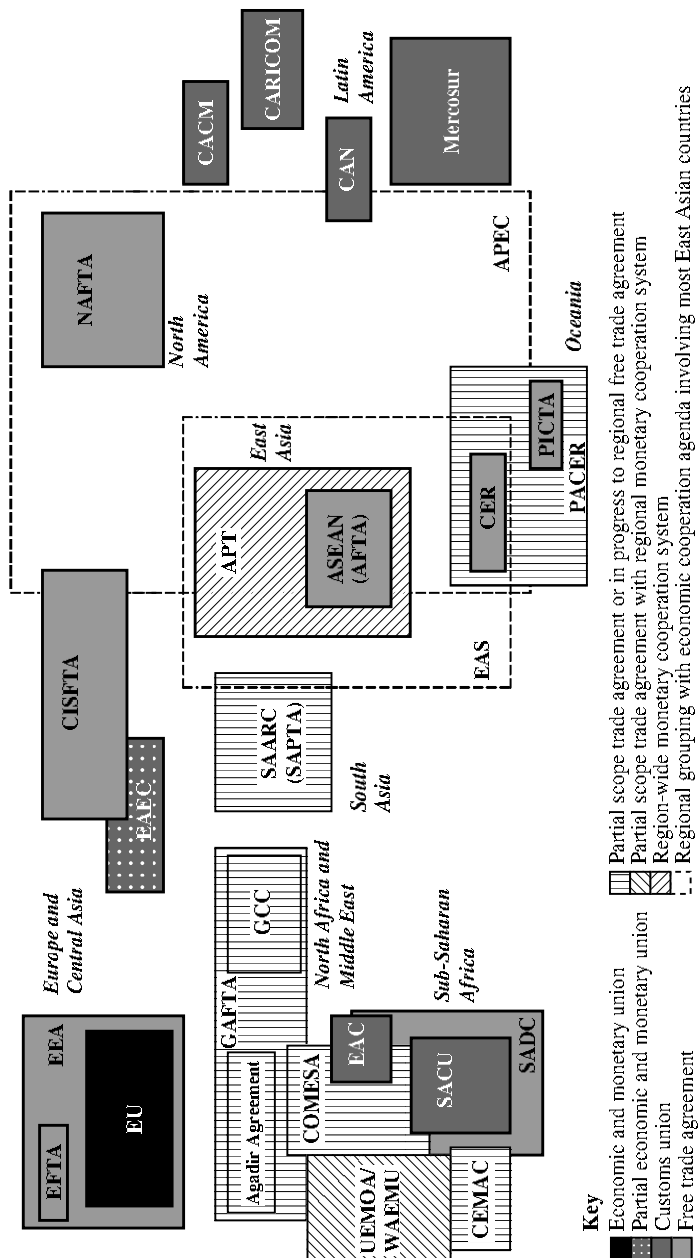
ideational, agential forms of capacity) studied in subsequent chapters. In this chapter, the reader is introduced to the key themes, ideas and arguments of the book that will be more extensively discussed in the concluding Chapter 13.

2. EAST ASIA IN A WORLD OF REGIONS?

We live in a world of regions. Increasingly, we talk of 'Europe', 'East Asia', the 'Middle East' and 'Latin America' and so on as distinctive regions or regional communities as elemental parts of a multipolar world society. The international system is to an increasing extent defined by interactions between regions and regional powers. Figure 1.1 provides a global map of the world's main regional (economic) organizations and frameworks, with further details on these provided in Table 1.1. As Figure 1.1 and Table 1.1 indicate, regional groupings are now prevalent across the entire international system, helping define the sense of 'regionness' and 'international neighbourhoods' within the world system. There exist differences of opinion over the composite membership of East Asia, but for the purposes of this book we may think of the region comprising two sub-regional elements, namely: *Southeast Asia* – Brunei, Cambodia, East Timor, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam; and *Northeast Asia* – Japan, China, South Korea, North Korea, Hong Kong SAR,¹ Macao SAR, Mongolia and Taiwan.

East Asia has become one of the world's most prominent regions, especially in terms of its economic, political, security and socio-cultural impacts. It accounts, for example, for around a quarter of global economic activity and has comparable economic weight to the European Union and the United States. Japan has long been an economic superpower, and China's power is ascending on many fronts. East Asia has also become a more coherent entity as a result of deepening regionalism and regionalization. East Asian countries are now cooperating closely on a wide range of areas, and their economies and societies are becoming more integrated. Given the growing geopolitical significance of East Asia, understanding how the region is being, or will be 'led' by a particular power or powers is of great importance. Inherent to this are key questions about the 'governing' of East Asia at the regional level, through regional organizations, frameworks and other mechanisms.

Regional leadership is gaining greater attention in both academic circles and public debates (Flemes, 2007; Nabers, 2006; Osterud, 1992). The rise of 'regional powers' around the world (for example India in South Asia, Brazil in South America) seems set to significantly shape the future



Note: See Table 1.1 for abbreviation of regional organizations and agreements and their constituent membership.

Source: WTO and author's own research.

Figure 1.1 Global map of key regional economic organizations and frameworks

Table 1.1 Key regional economic organizations and frameworks around the world

Regional Economic Organization/Framework	Integrational Aims and Achievements	Current Member States
Agadir Agreement	Since 2004, work in progress towards a sub-regional free trade agreement as part of developing the Euro-Mediterranean Free Trade Area	Egypt, Jordan, Morocco, Tunisia
APEC	Since 1994, work in progress to establish a 'free trade and investment zone' across the Asia Pacific by 2020 based on the principles of 'open regionalism'	Australia, Brunei, Canada, Chile, China, Japan, Hong Kong SAR, Indonesia, Malaysia, Mexico, New Zealand, Papua New Guinea, Philippines, Peru, Russia, Singapore, South Korea, Taiwan, Thailand, United States, Vietnam
APT	Established in 1997 as a regional economic grouping that has primarily focused on regional financial cooperation and integration	Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, Philippines, Singapore, South Korea, Thailand, Vietnam
ASEAN	Established in 1967. Regional free trade area (AFTA) in place since 2003. Plans to evolve into the ASEAN Economic Community (AEC, a common market) by 2015	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam
CACM	Customs union since 1961	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua
CAN	Customs union since 1998	Bolivia, Colombia, Ecuador, Peru

CARICOM	Caribbean Community	Customs union since 1973	Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Monserrat, Trinidad & Tobago, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Surinam
CEMAC	Economic and Monetary Community of Central Africa	Partial scope trade agreement since 1999	Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon
CER	Closer Economic Relations	Free trade agreement since 1983	Australia, New Zealand
CISFTA	Commonwealth of Independent States Free Trade Area	Free trade agreement since 1994	Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, Ukraine, Uzbekistan
COMESA	Common Market for Eastern and Southern Africa	Partial scope trade agreement since 1994	Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe
EAC	East African Community	Customs union since 2005. Plans to establish monetary union based on the East African shilling by 2009	Kenya, Tanzania, Uganda
EAEC	Eurasian Economic Community	Customs union since 1995	Belarus, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Uzbekistan

Table 1.1 (continued)

Regional Economic Organization/Framework		Integrational Aims and Achievements	Current Member States
EAS	East Asia Summit	Regional grouping since 2005 mainly focused on economic related issues	APT members plus Australia, India, New Zealand
EEA	European Economic Area	Free trade agreement, various forms of policy cooperation and co-ordination, and regulatory conformity	EU and EFTA member states.
EFTA	European Free Trade Association	Free trade agreement since 1960	Iceland, Norway, Liechtenstein, Switzerland
EU	European Union	Customs union established in 1968. Common market in 1993. Economic and monetary union in 2002 based on the euro currency. Various common regional policies operated	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom
	Greater Arab Free Trade Area	Since 2005, work in progress to establishing a regional free trade area	Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen
GCC	Gulf Cooperation Council	Partial scope trade agreement since 1984. Aim of establishing a common market and monetary union by 2010	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates
Mercosur	Southern Common Market	Customs union since 1991	Argentina, Brazil, Paraguay, Uruguay, Venezuela

NAFTA	North American Free Trade Agreement	Free trade agreement since 1994	Canada, Mexico, United States
FACER	Pacific Agreement on Closer Economic Relations	Trade and economic cooperation agreement between CER and PICTA member countries since 2001	Australia, New Zealand, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu
PICTA	Pacific Island Countries Trade Agreement	Free trade agreement since 2001	Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu
SAARC	South Asian Association for Regional Co-Operation	SAARC established in 1985. Partial scope trade agreement (South Asian Preferential Trade Arrangement, SAPTA) since 1995. Progress since 2006 to eventually establish a regional FTA (SAFTA)	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
SACU	South African Customs Union	Customs union since 1970 (revised since first established in 1910)	Botswana, Lesotho, Namibia, South Africa, Swaziland
SADC	South African Development Community	Free trade agreement since 2000. Various economic, political, social and environmental issues addressed on its regional agenda	Angola, Botswana, Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe
UEMOA/ WAEMU	West African Economic and Monetary Union	Partial scope trade agreement since 2000. Monetary union based on the CFA franc currency	Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo

international system and emerging multi-layered systems of global governance (Cooper, 2006; Hurrell, 2006; O'Neill, 2005; Wilson and Purushothanam, 2003). Regions may at times be led by regional organizations (for example EU), but more often that not by dominant states sometimes in co-leadership alliances with partner states, for example India in South Asia, Brazil–Argentina in South America, France–Germany in Europe, South Africa in Southern Africa, United States in North America, Australia–New Zealand in Oceania.

To what extent, then, can we expect China and Japan to assume stronger positions of regional leadership in East Asia, and what are the implications for the region and the wider international community? Both countries have hitherto already practised relatively low-key forms of regional leadership and have revealed certain aspirations to become stronger regional leaders. However, the formulation of each country's future leadership aspirations must increasingly take into account those of the other, and in doing so address the many complex issues involved in Sino-Japanese relations. This book examines and discusses these issues in some detail, and Sino-Japanese relations is one of the book's core themes.

Furthermore, while regional community-building in East Asia has made substantive advances since the late 1990s, many aspects of it remain comparatively weak. East Asia is a highly diverse region in terms of its economic development asymmetry, mix of political regimes and socio-religious traditions and characteristics. It is also a region marked by historic animosities between rival nations, where conflicts still persist between old and new states alike, and where nationalism remains a potent force in many countries of the region. In addition, regional community-building in East Asia is pushing and pulling in different directions, depending on the domain and level of regional affairs in question. Its social and geopolitical demarcations remain somewhat contested. As we later discuss, Japan has for some time sought to incorporate Australia, New Zealand and increasingly India into a broader conception of an East Asian community (the East Asia Summit, or EAS, group) whereas China and Malaysia have advocated a regional community concept based on ASEAN Plus Three (APT) grouping that omits these three countries.

Matters are further complicated by the concentric and overlapping country memberships of the regional organizations and frameworks to which East Asian states are party. As Figure 1.2 shows, most East Asian countries are members of a wider Asia Pacific grouping (the Asia Pacific Economic Cooperation forum, APEC), and also a larger Asian continental association (the Asia Cooperation Dialogue framework, ACD). The Association of Southeast Asian Nations (ASEAN) has developed its security-focused ASEAN Regional Forum (ARF) that includes a number of extra-regional partners like the United States and European Union.

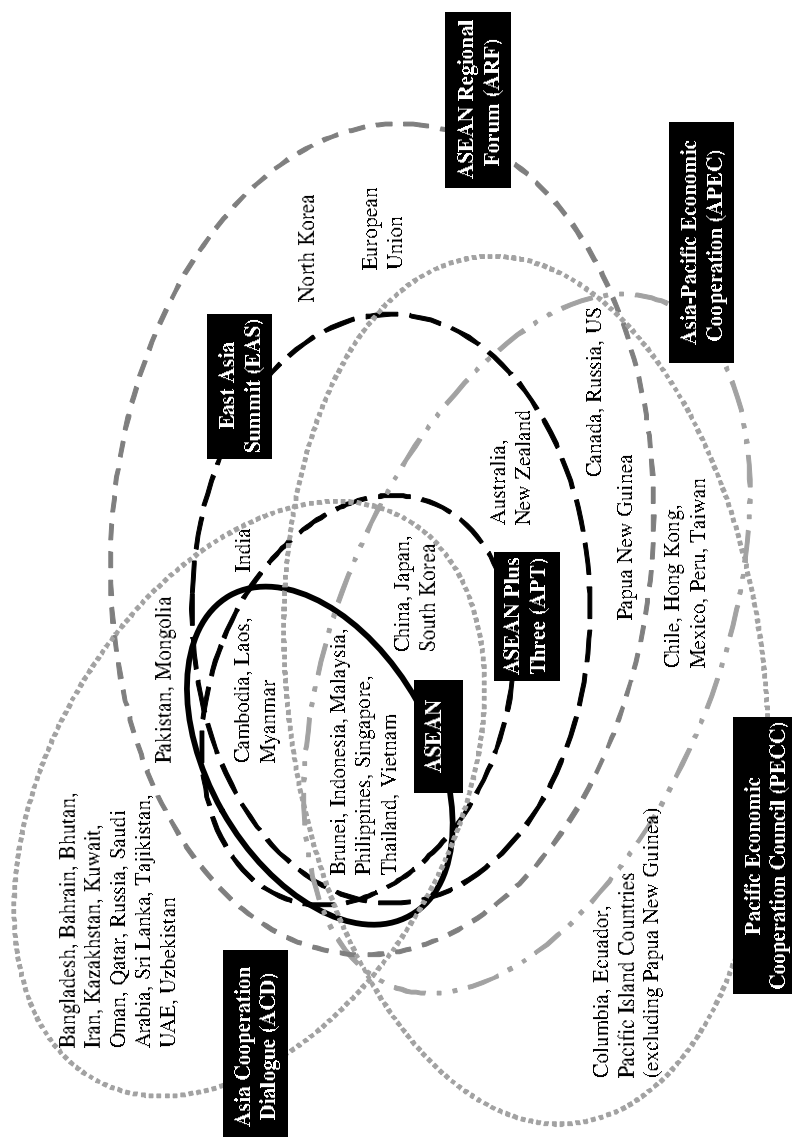


Figure 1.2 Main regional organizations and frameworks involving East Asia

There is meanwhile a number of overlapping sub-regional arrangements involving East Asian states and other partners. Examples include:

- China's Shanghai Cooperation Organisation (SCO) grouping with Russia and the Central Asian states of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan (see Chapter 10).
- The Trans-Pacific Strategic Economic Partnership Agreement (TPSEPA), a quadrilateral free trade agreement signed between Singapore, Brunei, Chile and New Zealand.
- The Bangkok Agreement, China, Laos, South Korea, Bangladesh, India and Sri Lanka first signed in 1975 and later upgraded in 2003 to a more substantial 'partial scope' trade agreement.
- The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) trade and economic cooperation agreement between Thailand, Bangladesh, Bhutan, India, Nepal, Myanmar and Sri Lanka.

Notwithstanding this convoluted pattern of regional memberships, the two relatively new regional frameworks of ASEAN Plus Three and East Asia Summit may be considered as potentially strong organizational cores around which East Asian regional community-building may develop. The question is, as we later discuss, whether one of these regional frameworks will prevail over the other as the prime organizational core. This may prove an important factor in the calculus of determining regional leadership in East Asia. For example, if an EAS core emerges, then both Japan and China must contend with the engagement of India within the associated regional community.

3. RECENT DEVELOPMENTS IN EAST ASIAN REGIONALISM

3.1 Regionalism as Coherence

We may broadly refer to regionalism as the structures, processes and arrangements that are working towards greater coherence within a specific international region in terms of economic, political, security, socio-cultural and other kinds of linkages (Dent, 2008). These may arise either as a result of: (i) micro-level processes that stem from regional concentrations of inter-connecting private or civil sector activities, and this may be specifically referred to as *regionalization*; or (ii) public policy initiatives, such as a free trade agreement or other state-led projects of economic cooperation and

integration that originate from inter-governmental dialogues and treaties, which may be specifically referred to as *regionalism* when contrasted to regionalization. Thus, in this specific respect, regionalism is thus more of a policy-driven, top-down process while regionalization is more of a societal-driven, bottom-up process.

Taking the key instrumental term of *coherence* in the above definition of regionalism, we can analyse recent developments in East Asian regionalism from three different but interrelated coherence types or perspectives, namely *associative coherence*, *integrational coherence* and *organizational coherence*. Figure 1.3 outlines the nature of each coherence type, noting their conceptual basis, underlying attributes, principal unifiers (that is, the prime forces or drivers behind their formation), as well as the various main processes and prime manifest examples (see Dent, 2008). We shall now briefly overview recent developments in East Asian regionalism through these different coherence perspectives.

3.2 Associative Coherence

This aspect of East Asian regionalism is relational in concept and primarily concerned with region-level links of association that form between agents or actors. Associative coherence hence focuses on various region-wide socialization processes arising from intensifying intraregional economic, social, political, cultural and other forms of exchange. Figure 1.3 details some of the main generalized processes through which associative coherence forms, such as the identification of common or interlinked interests at the regional level, such as addressing environmental and energy security predicaments. Prime manifest examples of this coherence type include through the development of:

- Inter-governmental policy networks and communities, through increased bilateral, sub-regional and regional scale track I and II diplomatic activity.
- Private and civil sector agency networking. For companies, through the expansion of international production network (IPN) activity and other forms of transnational business operations. In the civil society sector through the spread of non-government organization (NGO) alliance networking activity on a spectrum of issues.
- The expansion of international labour migration in East Asia, which has deepened inter-societal exchanges in the region.
- The emergence of pan-regional social and cultural movements, especially developments in East Asian popular culture, for example Japanese cartoons and karaoke, Korean pop music, Star TV.

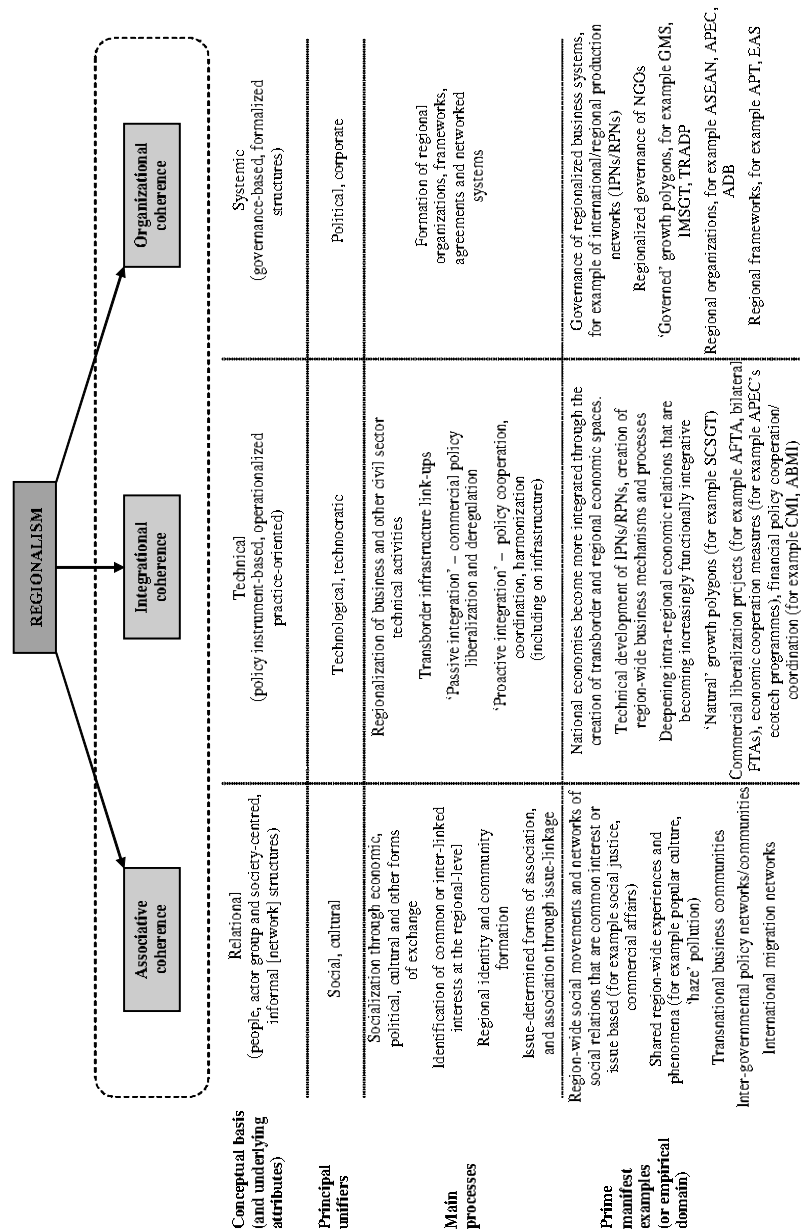


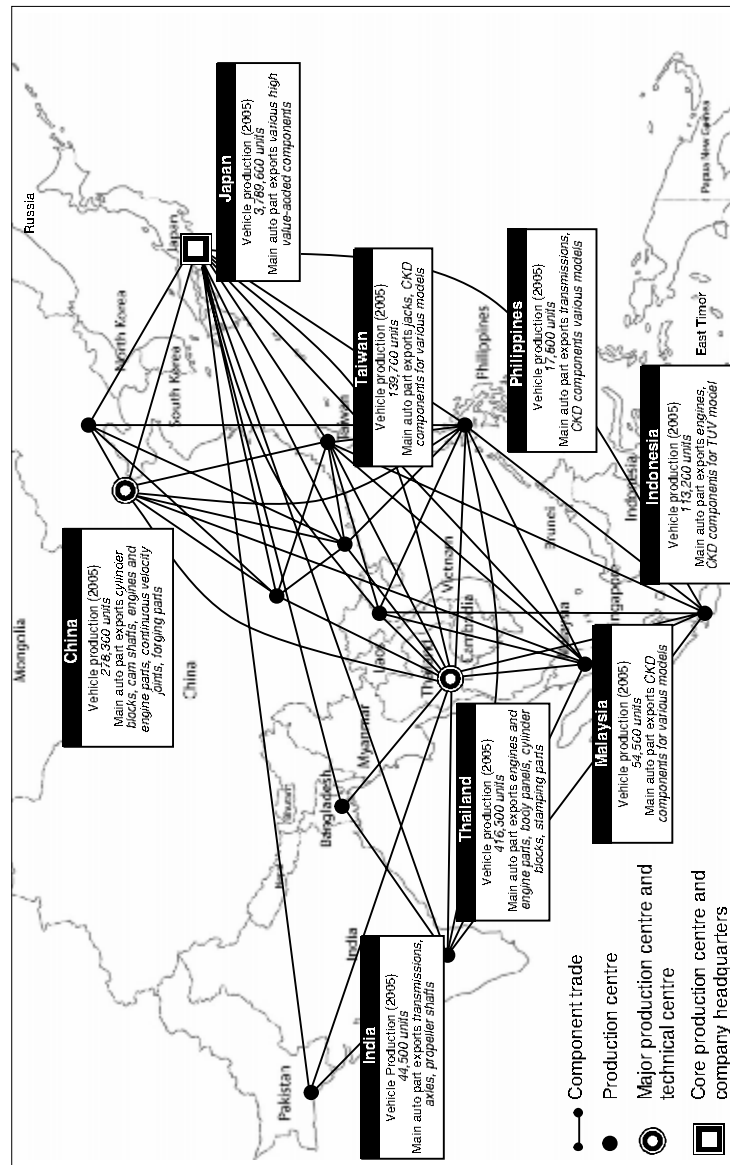
Figure 1.3 Regionalism as coherence: main framework

Together, these various processes have to varying degrees helped foster a stronger sense of East Asian regional identity. This to some extent draws upon Deutsch's (1957) ideas on how increased transnational activities and communications among states and societies help create a sense of community among them by developing trust, establishing mutual interests and an appropriation of 'we-ness'. However, the associative coherence of the East Asia regionalism still remains quite weak owing to a number of significant impeding factors, for example its aforementioned complex diversity, enduring nationalism, bilateral tensions, and still comparatively low level of regional-scale socialization (McNicol, 2005).

3.3 Integrational Coherence

Integrational coherence focuses on the technical nature of integrative links being forged within a region, and its underlying attributes are policy instrument-based and operationalized practice-oriented (Figure 1.3). Many of its principal unifiers are technological, and focus on the technical means by which various forms of region-scale mobility and interchange of goods, services, people and capital have advanced in East Asia. This can be conceived in material terms, such as how the development of region-wide infrastructure networks have helped raise physical connectivity levels in the region. East Asia's major cities (for example Tokyo, Shanghai, Singapore, Hong Kong, Seoul, Bangkok) are among the world's most important transportation and communication hubs, as well as key command centres for transnational business operations in Asia and beyond. Transborder infrastructural connections generally have improved quite dramatically across East Asia in recent years through both private and public sector endeavours. The technical formation of international production networks and transnational business operations generally have also made an important contribution to the regionalization of economic and business activity in East Asia. In no other region in the world is IPN activity so developed and extensive, which has bound together trade and investment relationships in East Asia in an increasingly interdependent manner (Henderson et al., 2002; Kimura and Ando, 2005; World Bank, 2003). As a result of this and other factors, East Asia's intraregional trade ratio has risen from 35 per cent in 1980 to 55 per cent by 2005, a ratio second only to Europe. Figure 1.4 shows the configuration of Toyota's IPN operations centred on the East Asia region as an illustration of this integrative trend.

These technical developments have strengthened the integrational coherence of the East Asia region, binding together its firms and national economies into more functionally integrative relationships. This has been augmented by various technical policy developments. Those of what we may call a *passive integration* nature centre on commercial liberalization



Note: CKD stands for 'completely knocked down' kits of auto-part components.

Source: Toyota company data.

Figure 1.4 Toyota's East Asia centred international production network in 2006

and deregulation measures that have removed or reduced barriers impeding economic exchange among East Asian countries. Examples include free trade agreements such as the ASEAN Free Trade Area (AFTA) and a number of bilaterals, for example Japan–Singapore, ASEAN–China. Passive integration measures are so called because while they have helped create new integrated economic spaces in East Asia, they do not entail the formation of common, congruent or coordinated technical policy elements among the region's countries, unlike *proactive integration* measures (Dent, 2008). An example of this latter form is the Initiative for ASEAN Integration (IAI), which comprises a series of economic cooperation and development assistance projects that together aim to incorporate Southeast Asia's lesser-developed countries (Cambodia, Laos, Myanmar, Vietnam – the CLMV group) more effectively into regional integrational processes. The Chiang Mai Initiative (CMI), an East Asia-wide system of currency swap arrangements, is another example of proactive integration.

The integrational coherence of East Asian regionalism has become considerably stronger at both the micro and macro levels over recent years. However, the patterns of technical integration in East Asia are rather asymmetric. From a macro geospatial perspective, much of this has been concentrated along a relatively narrow 'development corridor', stretching from Japan in Northeast Asia down to Singapore in Southeast Asia (see Figure 1.5). There remains a significant development and integration divide through the region, with lesser-developed countries being relatively marginalized from regionalization processes. On a more micro scale, pronounced development gaps exist across East Asia between relatively well-developed 'core' zones and much lesser-developed 'periphery' zones.

3.4 Organizational Coherence

This relates to how East Asian regionalism – and therein its different aspects of associative and integrational coherence – may take some kind of organizational form, and may be conceptualized primarily in systemic terms. Organizational coherence is the starting point for many when looking at manifestations of regionalism in the world system, as its most obvious examples are regional organizations and frameworks. It was previously noted that East Asian countries are now party to quite a large number of regional organizations and frameworks, for example ASEAN, APEC. This type of coherence may take other forms, such as:

- Region-wide governance structures created by NGOs and regional NGO networks, for example Southeast Asia Rivers Network, Rivers Watch East and Southeast Asia.



Figure 1.5 East Asia's pan-regional development corridor

- The governance and systemic development of regional production networks.
- Regional-level associations, for example Asian Network of Major Cities.
- Regionally organized, multi-sector (that is, public, private, civil) consultative mechanisms, for example East Asian Business Council and Asian Bellagio Group.

Much attention concerning the regional organizational aspects of East Asian regionalism has focused on the APT and EAS frameworks. The formation of the APT framework in December 1997 by a summit between ASEAN states, China, Japan and South Korea was historically important because it was the first exclusive East Asian regional grouping that had been created. Initially forged during the turbulence of the 1997/98 financial crisis, the APT has primarily focused on improving regional financial governance in East Asia, introducing new schemes and mechanisms like the CMI and Asian Bond Market Initiative (ABMI), which in turn have contributed to the organization of financial policy cooperation among East Asian countries.

The APT framework's remit has since, however, expanded beyond finance to cover a wide range of areas on regional cooperation, including small business development, environmental technologies, infrastructure logistics, food and health security issues, human resource development, e-commerce, energy resource management, pollution abatement, international migration, maritime piracy, ICT cooperation, customs information exchange, agricultural technology, and management training programmes. In addition to annually-held summits and ministerial meetings (economic, financial and foreign) – as well as ministerial meetings for labour, health, energy, agriculture, and tourism held on a more irregular basis – the APT regional framework comprises 49 consultative bodies working in a total of 17 specified fields. The framework's East Asia Vision Group (EAVG) and East Asia Study Group (EASG) have meanwhile provided ideas on where and how to advance regional cooperation in East Asia (EAVG, 2001; EASG, 2002).

The EAS framework was established out of APT diplomacy. As its name suggests, the ASEAN Plus Three framework is itself essentially a derivative of ASEAN's external diplomacy relations, with China, Japan and South Korea still in one sense the guests of ASEAN country hosted APT summits. Furthermore, 'ASEAN Plus One' summits and other inter-governmental meetings are convened with each of the three Northeast Asian partner countries on a separate basis. Thus, ASEAN has played an important intermediary role here in advancing regional-multilateralism in East Asia, and thereby, as we later discuss, helping facilitate processes of regional leadership. The original idea behind the EAS was to transform the APT into a more coherent and developed regional framework in which any APT member could host a summit, thus embodying a more holistic regional concept by conferring China, Japan and South Korea with a greater sense of ownership over the East Asia regional community-building process. The first East Asia Summit meeting was held in December 2005.

While it was initially thought the APT would simply evolve into the EAS, this never came to pass and the relationship between these two relatively proximate regional frameworks remains unclear. The main reason for this concerns the different views held by Japan and China over the composition of a prospective East Asian regional community, and relates closely to both countries' outlooks on regional leadership issues. Tokyo strongly advocated an EAS grouping that included India, Australia and New Zealand in addition to APT member states, this being consistent with a long-standing predilection for a broad East Asian grouping (Hund, 2003).² Japan had closely worked with Australia in Pacific Community-building endeavours since the 1960s, the fruits of which had led to the formation of APEC in 1989. Japan's main strategic motive for including India in the EAS framework was based on the further counterweight it would add to an ascendant China within any emerging East Asian regional organization or framework. To help consolidate this new regional grouping, Japan pushed the idea of an EAS-based free trade area or agreement, and made formal proposals on this in April and August 2006.

China has, in contrast, demonstrated a preference for a more exclusive East Asian grouping based on APT membership. Beijing's stated opposition to a broad 'extra-regional' EAS membership was founded on how the regional body could become too unwieldy and incoherent if the interests of many disparate nations were to be accommodated.³ This problem is one that APEC especially has encountered in recent years from expanded membership. By encompassing too much economic, political and socio-cultural diversity, regionalist projects can struggle to maintain progress and maintain their organizational coherence. However, after much active lobbying it was Japan's view that prevailed and thus India, Australia and New Zealand were incorporated as original EAS members. Other countries have expressed their desire to join the group, namely Russia (observer status gained at the First East Asia Summit, full membership supported by China), Pakistan and Mongolia (supported by Malaysia), and Papua New Guinea (supported by Australia). The EU has also expressed its desire for observer status while the United States wishes to be involved somehow, although this has not been clarified.

Clarity concerning the division of labour and coordination of tasks between the APT and the EAS frameworks must in the meantime be established. Both frameworks are in one sense competing organizational cores of East Asia's macro-level regionalism (see Chapter 4 for additional discussion on this). This in turn may determine what kind of East Asian region there will be to lead at this level. The interplay between the APT and EAS regional frameworks may take a number of forms. For example, given the stronger associative and integrational coherence of an APT-based region over an EAS-based one, APT countries could in many instances

constitute the core in most EAS-led regional community-building projects, with India, Australia and New Zealand becoming in effect associate-style members. This would depend on the issue addressed at the EAS level. With respect to many transnational issues (for example drugs trafficking, cross-border pollution) there may be a strong consensus for a comprehensive EAS membership approach. As Chapter 4 discusses, getting China and Japan to agree to an EAS-based approach on higher-order integrational issues (for example monetary integration) will be far more difficult. Indeed, when Japan did unveil its aforementioned proposal for an EAS-based regional free trade area – officially known as the Comprehensive Economic Partnership in East Asia (CEPEA) – it received a lukewarm response from China and many other East Asian countries, including South Korea.⁴

4. REGIONAL LEADERSHIP IN EAST ASIA

4.1 Introduction

Examining both the different ways and the extent to which East Asia is becoming an increasingly coherent region provides an essential background to considering matters of regional leadership. This section outlines some general questions concerning regional leadership in East Asia, and introduces some of this book's key themes in relation to these questions. If regions are to become increasingly coherent, salient and constituent entities of the international system, then understanding how they may be led by particular powers will also become increasingly important for a number of reasons. We may initially view this from two broad perspectives. First, it helps better comprehend the intraregional relations, political economy and geopolitics of regions like East Asia. The second perspective concerns how these matters connect with developments and governance of the wider international system, including how East Asia's regional leadership may be exercised in global multilateral organizations and forums.

4.2 Functions, Expectations and Benefits of Regional Leadership

With regional leadership come certain expectations concerning behaviour and benefits. The concluding Chapter 13 explores both aspects in some depth, but let us first introduce here the generalized functions and benefits of regional leadership:

- *Provision of regional public goods*: for example, fostering a stable security environment and sustainable development in the region;

reducing the region's poverty levels and 'development asymmetry' among states.

- *Resolving collective action problems*: especially arising from decentralized bargaining among groups (that is, region-based or otherwise) of states or other types of actors. In this case, members will 'delegate functions of agenda management, brokerage and mediation to more powerful countries' (Nabers, 2006: 6).
- *Leading the regional community-building process generally*: through supporting the development of regional organizations, frameworks and other regional community-building mechanisms. Regional community-building in turn leads to the broader development of international or global society.
- *Championing and representing the interests of the regional community in the wider global community*: this especially relates to the expected behaviour and functions of regional leader actors in global-multilateral forums, for example the G8 group, United Nations, World Trade Organization.

In ideal terms, stronger regional leadership in East Asia should make the region a more stable and prosperous one but this depends on the kind(s) of regional leadership being exercised, and Chapter 13 discusses this issue in some detail. Leadership may be fundamentally thought of in 'actor-ness' terms in that leadership is exercised by or through certain actors or agencies. Certain functions or modes of leadership may be expected from certain actor or agency types, and this can be analysed from various levels, from the role and behaviour of individuals as regional leader actors up to the leading functions performed by regional organizations and frameworks.

At present, most analysts take the view that exercises of regional leadership in East Asia will primarily centre on the 'nation-level' agency of China and/or Japan. As is argued in Chapter 13, this does not imply that either Japan or China should be treated as unitary 'state' entities, with their respective national governments as the exclusive representational actors of each country, as is often assumed in the mainstream literature on international leadership. Rather as Chapter 13 outlines, China and Japan may be considered a composite of agencies or actors, pressures and interests. These key points notwithstanding, China's foreign policy exhibits a strong state-centricity in which the actors and apparatus of the Chinese government dominate the contesting influences over this policy, although sometimes tensions arise here between national government and local or provincial government over China's foreign economic policy. Japan's foreign policy on the other hand is more open to non-state contesting influences from the private and

civil sectors, as we might expect in a democratic society. In addition, for both Japan and China, domestic politics plays a key part in determining the outlooks both Japan and China have on regional or international leadership issues through various foreign policy processes. Throughout this book, we also examine the various interfaces between domestic politics and international relations in East Asia that are relevant to questions of regional leadership. In sum, 'China' and 'Japan' should be considered overall as complex multi-actor entities whose actions and representations in the international system may be viewed from various state, sub-state and non-state perspectives.

In generalizing on the possible configurations of regional leadership that may arise from a 'macro-state' perspective (that is based on whole nation-state engagement from an agency or actor level viewpoint), we might consider the following options or outcomes:

- *Contested Leadership*: China and Japan vie to become the prominent regional leader overall, or in most fields. This carries the risk of adverse competition effects, and the strong possibility of one seeking to cancel out the other's bid(s) for leadership.
- *Division of Labour*: tacit or explicit agreements on sharing roles of leadership (for example Japan on finance and technology, China on security) or through different forums, for example ARF, WTO, IMF. There are 'fungibility of power' issues to consider here, as there may be spillovers of power and influence from certain domains into others, such as economic into politico-military security or vice versa.
- *General Co-leadership*: China and Japan form a broad alliance, akin to France and Germany in the EC/EU, centred on further advancing East Asian regionalism and representing East Asia in multilateral forums. This is contingent on the development of stronger and more harmonious Sino-Japanese relations.
- *Alternative Co-leadership*: China or Japan seek to exercise co-leadership with other East Asian states (for example South Korea, Indonesia, Malaysia) on certain issues.
- *Coalitional Leadership*: China and Japan exercise regional leadership through different subset coalitions of East Asian states on particular issues.
- *Group Consensus Leadership*: neither China nor Japan emerge as regional leaders, rather leadership is exercised by group collective action (consensus-based, decentralized bargaining) through regional organizations and frameworks such as APT and EAS. This relates closely to the theme of regional-multilateralism discussed in the concluding Chapter 13.

- *Matrix or combination of the above simultaneously*: as this book will show, it is more useful and relevant to consider the plurality of co-existing exercises in regional leadership rather than singularity of regional leadership status. This may be apparent at various levels of actor (as earlier argued), in different forms of governance (that is any governance structures that link regional actors), different issue domains (for example finance, humanitarian relief, security), and at different geospatial scales (for example micro-regional, macro-regional), these all relating to what is referred to in Chapter 13 as the multi-structure nature of regional leadership.
- *Null Leadership*: where no clear regional leader or leadership structure emerges in East Asia owing to various reasons. This may arise for instance where China or Japan opt to avoid exercises of regional leadership, or where China and Japan seek to cancel out the other's bid for a regional leadership position.

The above is a simplified schema that presents some introductory thoughts on what possible broad configurations of regional leadership might look like in East Asia. This is only from the macro-state perspective, and of course the prospect for regional leadership in East Asia is more complex than that, as the penultimate option ('matrix or combination of the above simultaneously') alludes to. Matters become naturally complicated when more actors are included in the game. Ascertaining the positions and responses of actors or agencies elsewhere in the East Asia region, as well as certain extra-regional actors such as the United States, is of critical importance. Furthermore, a regional leadership structure based on China and/or Japan may not be desirable for the regional collective as a whole because the anticipated costs may outweigh the anticipated benefits.

4.3 Other Key Themes

The future prospect for regional leadership in East Asia remains unclear and yet at the same time is the subject of much speculation. Evidence on the exercise of regional leadership in East Asia conducted to date is relatively scant. Japan's most prominent exercises of regional leadership thus far have stemmed on its main foundation of power, namely economics. Well documented examples of this include helping establish APEC in the late 1980s, and developing the initial architecture of regional financial governance in East Asia from the late 1990s onwards (Ravenhill, 2001; Hughes, 2000; Terada, 2003). Japan's style has been referred to as 'stealth leadership' in that it has a revealed preference for quiet, behind the scenes exercises of leadership, which may be contrasted to the US's 'overt hegemonic'

approach, that is a more assertive utilization of a dominant position (Pyle, 2007; Samuels, 2007; Rapkin, 2001).

As China's power has only in recent years re-ascended, much of the analysis on its actual or prospective style of regional leadership has been speculative, although the Chinese government's mantra of the country's 'peaceful rise' has been much analysed. As Chapters 5, 6 and 7 particularly discuss, China may actually prefer alternatives to regional leadership in the frame of any emerging 'grand strategy' on foreign affairs, for example as simply acting in a relatively more passive manner as a 'responsible' member of the regional and global community. This may involve providing regional public goods for others without expectation of reciprocity or deference from other East Asian states. Some may interpret these as just proxy actions of regional leadership, constituting some form of regional leadership in all but name, or the actions of seemingly reluctant regional leaders in denial about the status and position within the East Asia region.

The nature or style of China and Japan's approaches to regional leadership is also linked to the preferred instrumentalization of foreign policy at both national and sub-national levels of agency. This is a codeterminant relationship: style will affect instrumentalization, and vice versa. Do Japan's or China's representative actors have a predilection for unilateral, bilateral or coalitional actions, or for working at the micro-regional or sub-regional level, or for exercising leadership in global-multilateral rather than regional-multilateral frameworks? How may we discern tactical actions pertaining to regional leadership as well as strategic plans? Many subsequent chapters address these key questions.

Whatever strategy Japan and China take, it will depend on general perceptions of themselves as existing actual or future potential regional leaders, as well as the norms and values underpinning each country's foreign policy. There are additional relevant questions for consideration explored in this book. For example, can shared norms and common values become an ideational or other constituent basis of regional leadership in East Asia? Are there any lessons from ASEAN's broad consensus-based approach to regional management? How comfortable are East Asian states or actors culturally with the notion of regional leadership? Are they more regional leadership-averse than those from other regions? These last two questions relate to the propensity for 'followership' of regional leader actors in East Asia, for instance how willing state and non-state actors from other countries in the region are to defer to Japan or China's exercises of regional leadership. It may be difficult to make a general assessment on this matter of 'agency function' (see Chapter 13 for more discussion on this), and evaluations of followership are perhaps best made according to particular issues or empirical domains being studied. A further aspect of

agency function in relation to regional leadership concerns the role of intermediary actors, which are those that are able to facilitate forms of regional leadership by mediating between, or working in conjunction with other regional actors. Chapter 12's analysis on South Korea's trilateral diplomacy with China and Japan examines this particular agency function issue. As Chapter 11 explores, the United States may also be viewed in both regional leader actor and intermediary actor terms concerning the calculus of regional leadership in East Asia.

As briefly noted earlier, we can also approach the study of regional leadership from an issue-based standpoint that embraces broad disciplinary or empirical domain perspectives, otherwise known as sectors of analysis: for example, in relation to economic (for example, trade, finance/monetary policy, development cooperation), security (for example, nuclear proliferation, drug trafficking, maritime piracy), environmental (for example, trans-border pollution such as forest fire 'haze' and acid rain), labour (for example, international migration) and energy (for example, fuel supply security) related issues. The ability or scope for Japan or China to exercise regional leadership will depend on their capacity to address, or to take a direct interest in addressing particular regional-level issues.

5. STRUCTURE AND SUMMARY OF THE TEXT

This book is structured along the following lines. Part II examines key developments and issues in China–Japan relations. In Chapter 2, Christopher Hughes explores how Japan and China approach their bilateral relationship from the interrelated perspectives of domestic structural change, globalization, history and nationalism. Hughes contends that problematic issues of history remain critically important in Japan–China relations, and argues against the view that a deepening economic interdependence between the countries will help override the 'history problem'. Hughes posits that this problem runs deeper, more centrally, and more dynamically in the Sino-Japanese relationship and will not be easily ameliorated by bilateral summits or economic relations. Moreover, he argues that the raising and re-evaluation of history in bilateral ties is inextricably linked to and the product of major structural shifts in domestic politics on both sides. For Japan, the end of the Cold War and rise of globalization has generated questions about the legitimacy of the post-war settlement and existing political system, thus leading to the release of revisionist political forces at the elite and mass level that have at the very core of their political agenda a need to project a particular view of history. In turn, this internal reconstruction of collective memory and national identity cannot

help but be projected externally in Japan's relations with China. Likewise, China is engaged in a process of domestic political restructuring which forces history onto the bilateral agenda with Japan. The outcome is that both sides feel the need to discuss history, although Japan seeks to draw a line on its terms under the post-war period, while China seeks to reopen post-war history, so resulting in a fundamental clash of historical perceptions, and necessitating both sides recognizing history as an issue that cannot be bypassed and must be dealt with directly. This in turn poses a number of challenges and constraints on how both countries approach matters of regional leadership, especially in relation to how either Japan or China respond to bids for leadership made by the other.

In Chapter 3, Caroline Rose examines the 'new era' diplomacy dimension of Sino-Japanese relations. She notes that the 2001 to 2006 period was marked by a growing hostility in the political and diplomatic aspect of the relationship, owing largely to former Prime Minister Junichiro Koizumi's regular visits to the Yasukuni Shrine and the Chinese government's increasingly angry response. By mid-2006, the relationship was said to have reached its lowest ebb since the normalization of Sino-Japanese relations in the early 1970s. However, during Shinzō Abe's albeit brief reign as Prime Minister from September 2006 to September 2007, both sides appeared firmly committed to repairing the ties and building a strategic reciprocal relationship. Considerable progress was made in the form of two summit meetings in October 2006 and April 2007, marking a thaw in the relationship at the elite level. Prime Minister Yasuo Fukuda's pro-China stance promises to continue this trend. Caroline Rose thus argues that Sino-Japanese diplomatic relations appear to be entering a more stable phase, benefiting from a wave of high-level activity at summits, a return to regular and more institutionalized consultations and dialogues, and side-line meetings at regional gatherings. This improvement in relations has been accompanied by announcements that the relationship is entering a 'new era'. She further notes how 'new era-ism' is a recurring theme in the literature on Sino-Japanese relations, and that 'new era' diplomacy can have positive results. Yet Rose also questions the value of viewing Sino-Japanese relations in this way, suggesting that a 'boom-bust' approach to the relationship obscures the structural changes in the relationship which have been taking place, largely at sub-state level (for example involving Chinese and Japanese organizations, companies, regional governments, non-government organizations and general civil societal interactions), which have deepened economic interdependence and cooperative linkages between both sides.

Part III of this book considers different aspects of Japan and China's positions in the East Asia region. In Chapter 4, Shintaro Hamanaka

compares financial, trade and summitry regionalisms in East Asia, primarily from the Japanese perspective. He contends that one of the serious deficiencies of the (East Asian) regionalism literature is the lack of comparative perspective of studying regionalism across issues. Given the fact that the aim of establishing regional frameworks and the players involved in various regionalist projects vary from issue to issue (for example, finance, trade and summitry), it is not surprising if the modality of regionalism depends on the issue covered by the individual regionalist project. The prime theme of this chapter is the regional group 'membership' problem, with special reference to Japan's policy regarding the creation of East Asia's new regional economic and political architecture. More specifically, Hamanaka argues that the membership of a regional framework is mainly determined by which country assumes leadership in it. Thus, the issue of 'membership preference', which may vary from issue to issue, is critical to understanding the struggle for regional leadership.

In Chapter 5, Steve Tsang makes a general overview of China's place in East Asia. His main premise is that the spectacular rise of China in the last decade raises the question of where China's 'rightful' place is in the world in general, and in East Asia in particular. He addresses this issue by examining the strategic thinking behind China's policy of rising peacefully, and what the Chinese government sees as the appropriate role for it to play in East Asia. In so doing, the chapter highlights the central importance of the domestic priority in promoting rapid economic development and the external priority of securing Taiwan as a Chinese territory. Tsang then addresses the leadership role that China is likely to choose to play in East Asia in the foreseeable future. He concludes that the rightful place and role for China or, for that matter, any great power, in East Asia in the twenty-first century should not be a matter for that power to decide but one to be worked out through a dynamic process of discussions and diplomacy in a multilateral framework.

In Chapter 6, Rex Li focuses on the Chinese discourse of Japan's changing security role in East Asia. He argues that while Chinese elites acknowledge Japan's participation in and contribution to various types of bilateral and multilateral security forums, they are highly suspicious of Japanese strategic intentions in East Asia. This suspicion has been exacerbated by Tokyo's 'anti-terrorism diplomacy' and its closer security ties with the United States since the 11 September 2001 terrorist attacks on New York and Washington, DC. Li notes that historical animosity and growing Japanese defence capability have also contributed to Chinese apprehensions of Japan's expanding security role in Asia. Most worrying to Chinese strategic analysts is the possibility that Japan may support an American intervention in a future conflict across the Taiwan Strait. This chapter

suggests that there is ample evidence indicating a discursive construction of Japan as a threatening 'other' whose security strategy and activities in the region are perceived as a serious impediment to China's endeavour to construct its identity as a great power. Li argues that this sort of discourse is widespread in Chinese intellectual and academic circles, especially over the past few years. How will China handle its relationship with a Japan that is playing an increasingly prominent and active role in East Asian security? To what extent will China be prepared to cooperate with Tokyo in building a regional security structure to maintain stability and peace in East Asia? These and other questions are explored in this chapter, together with their implications for the prospects of regional leadership in East Asia.

In Part IV, we examine how the rise of China is being addressed within East Asia. In Chapter 7, Shaun Breslin considers the issues and prospects of East Asia moving towards a Sino-centric regional order. He first examines how China's re-engagement with the global political economy has had massive implications for the functioning of the global economy as a whole, and on China's regional neighbours in particular. Breslin explores how China's momentous economic development has resulted in a reconstruction of the East Asian regional economy (and individual regional economies), and has helped generate a renewed focus of China's regional leadership ambitions and capabilities. As a consequence, state elites in the rest of East Asia are altering their domestic and international strategies in response to what China already is and, more importantly, in preparation for what they expect China to become in the future. China's regional leadership is thus in some ways already a reality because regional elites have imbued China with power and have responded accordingly to their own constructed image of a Sino-centric regional future. However, by other definitions there remain considerable obstacles to the creation of an East Asia regional order under Chinese leadership, and this chapter takes a deliberately cautious approach in an attempt to temper some of the more hyperbolic assertions of China's impending rise to superpower status. While Breslin accepts that what happens in China is hugely significant and important, he also asks whether such importance necessarily equates to the power that is necessary to establish regional leadership. He also makes the case for how Japan's regional power potential is often understated.

In Chapter 8, Joern Dosch considers the question of 'who is leading who' in ASEAN-China relations. Dosch argues that while the management of security and ultimately order-building in ASEAN-China relations are loosely embedded in a declaratory process of community formation that has generated generally beneficial soft institutions in economic and other policy areas, the current state of relative regional peace is primarily attributable to China's role as a hegemonic stabilizer in the making. He provides

evidence from two case studies (South China Sea 'dispute' diplomacy and the Greater Mekong Subregion project) to suggest that China is increasingly exercising leadership by setting the rules and organizing a growing network of security-relevant relationships in both traditional and non-traditional security fields. This (re-)emerging *Pax Sinica* is characterized by the creation and enforcement of rules that favour the dominant state at the centre of the security order. At the same time, Dosch contends, the policies of China as a hegemonic power on the horizon also bring security benefits to the states in its zone of influence. Thus, hegemonic stability in the case of China and ASEAN potentially takes the form of a positive rather than a zero-sum game.

In Part V, we discuss how Japan and China are exploring paths of regional leadership through certain regional and multilateral organizations. In Chapter 9, Hugo Dobson explores the leadership exhibited by Japan and China in two of the leading institutional mechanisms of global governance: the annual summit of the Group of Eight nations (G8) and the United Nations (UN). On the one hand, Japan is one of the original members of the G8, whereas China has only very recently participated as an informal dialogue or 'outreach' partner, although its official addition to this forum is now regularly touted. On the other hand, China occupies a permanent seat on the UN Security Council (UNSC) but Japan is a late-comer to the UN, and moreover frustrated in its attempts to join the UNSC. Dobson outlines the pattern of leadership exhibited by Japan in the G8 and assesses whether this is any indication of the leadership role it might take if it were to join the UNSC, vice versa applying in the case of China and the G8. This chapter suggests that a number of factors – but especially the nature of the institution – shape the contribution of each country to the provision of global governance.

In Chapter 10, Neil Renwick examines China's role in establishing and developing the Shanghai Cooperation Organisation (SCO), which also embraces Russia and certain Central Asian states in a relatively new regional-multilateral framework. Renwick considers how China is exploring some form of regional leadership through the SCO with particular respect to security issues, especially energy security, 'terrorism' and 'human' security. However, such endeavours must also be set in the context of a concomitant Sino-Russian geopolitical rivalry over Central Asian leadership. Renwick explores whether China's proclaimed emphasis upon 'the Shanghai spirit' of mutual trust and cooperation has actual substance, and furthermore offers a distinctive approach to regional-multilateral leadership. He also more generally asks whether the SCO's rising in prominence has come through China's attempts to demonstrate leadership on non-traditional security cooperation.

Part VI of the book looks at the role of ‘intermediary’ powers in the China–Japan regional leadership equation. In Chapter 11, Mark Beeson argues that the influence of the United States in the affairs of East Asia has declined over recent years. He contends that not only is the US no longer as economically important to East Asia as it once was, but its strategic position is not as assured either. This chapter considers the changing nature of American power and highlights the factors that have worked to undermine its influence. Beeson particularly stresses how domestic economic problems, ill-judged foreign policy, and the rise of a potentially powerful regional competitor are at the centre of this change. The combined impact of these developments has left the US less able to play the sort of long-distance leadership role that it once did.

In Chapter 12, Christoph Bluth and Christopher Dent consider Korea’s position in the Northeast and East Asia regional system from security-related and international political economy perspectives. For more than a century, Korea has been the focus of the geopolitical struggle between the Asia Pacific major powers, Russia, China, Japan and the United States. As a small nation on the geopolitical fault-lines of Northeast Asia, Korea has suffered foreign occupation, devastating wars and division. The Korean Peninsula remains a critical factor in the future of the region. It is the one place in Northeast Asia where there continues to exist a serious threat of large-scale military conflict. At the same time, South Korea has some considerable status in the regional political economy of East Asia. New and dynamic developments in East Asian regionalism have provided South Korea with opportunities to exploit its middle power position in Northeast and East Asia, as well as to act as an intermediary between Japan and China, especially in Northeast Asia’s emerging trilateral cooperation framework. This chapter explores how, despite lacking various forms of capacity to exercise regional leadership in a singular independent manner, the domain of economic affairs provides perhaps the best scope for South Korea to perform certain intermediary functions in this regard, primarily with respect to relations with its Northeast Asian neighbours.

In the concluding Chapter 13, Christopher Dent brings together the main findings of the book and presents new analytical approaches for considering the prospects for regional leadership in East Asia. This chapter serves three main purposes. First, to overview and critique the mainstream literature on international leadership, which to date has been largely dominated by American scholarship, and consequently retains an unhelpful US-centric empirical bias. Second, to review the emerging but still notably under-developed scholarly literature and thinking on regional leadership specifically. Here Dent notes that this relatively new field is still mostly grounded in mainstream theoretical and conceptual approaches on international leadership.

The chapter's third purpose is thus to advance new analytical perspectives for studying regional leadership, and these are presented under four discursive themes: (i) multi-agency and multi-structure exercises of regional leadership; (ii) identity and association; (iii) styles and modes of leadership; and (iv) regional-multilateralism and global-multilateralism. It concludes by arguing that deeper research on China and Japan should yield new understandings concerning the nature of regional leadership (and regional power) in the international system, leading to a more multi-dimensional notion of regional leadership, and that it is hoped that this book's study has made a valuable contribution in this regard.

NOTES

1. Special Administrative Region.
2. For example, back in the mid-1990s, Tokyo had advocated the inclusion of Australia and New Zealand in the Asia-Europe Meeting (ASEM) framework.
3. *Asahi Shimbun*, 4 January 2005; *The Yomiuri Shimbun*, 25 November 2005.
4. *People's Daily*, 26 August 2006; *Gulf Times*, 25 August 2006; *Bernama.com*, 24 August 2006.

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PART II

China–Japan relations in focus

2. Japan's policy towards China: domestic structural change, globalization, history and nationalism

Christopher W. Hughes

1. INTRODUCTION: HOW DEEP DO TENSIONS GO IN SINO-JAPANESE RELATIONS?

Japan–China political relations were left in a parlous condition following the premiership of Koizumi Junichirō (2001–2006). In fact, political ties probably sank to their worst condition since the normalization of diplomatic ties in 1972. The bilateral political relationship found itself particularly in need of repair over issues of history, including most notably the damage done to ties by Koizumi's visits to Yasukuni Shrine and relative indifference to the controversy over school textbooks. Abe Shinzō (2006–2007), Koizumi's successor, to his credit, and against his natural political instincts, recognized the need to seek some form of political rapprochement with China. Abe's visit to Beijing in October 2006 (described by Abe as an 'ice-breaking' trip), and the visit of Premier Wen Jiabao to Tokyo in April 2007 (described by Wen as 'ice melting') certainly made a start in moderating the role of history in shaping bilateral ties. Abe's maintenance of his ambiguous stance on Yasukuni – refusing to comment on whether he would or would not visit the shrine as prime minister and pledging 'to remove political obstacles' to bilateral ties – appeared to have satisfied China's leaders for the time being. This being said, relations experienced a slight wobble after Abe sent a donation to the shrine in early May, China describing this as a 'regrettable' action. Similarly, China's leadership appears eager to relegate history downwards in the Sino-Japanese bilateral agenda, refraining from criticizing Abe in March 2007 for his remarks relating to the degree of coercion of 'comfort women' so as to not jeopardize Wen's visit to Japan in April. Wen in his address to the National Diet in April did refer to Japan's 'war of aggression', but also noted that China highly evaluated Japanese apologies for the war and avoided mentioning

Yasukuni or the comfort women issue. Finally, the Japan–China Joint History Research Committee has continued its work since December 2006 in an attempt to soothe mutual tensions over history.

Hence, Japan's most recent political leadership represented by Abe, and probably even including Koizumi himself, at the very least has recognized that Sino-Japanese discord over interpretations of the past has detracted from progress in bilateral ties. Nevertheless, it is also the case that Japan's currently dominant policy elites – and indeed many academic analysts – have a fondness for stating that tensions over history are just one element of structural change in contemporary bilateral relations, and that political relations have to be set alongside a broader dynamic of deepening economic interdependence, often referred to as 'cold politics, hot economy' (*seirei keinetsu*). They espouse the logic that Japan–China ties are in a sense 'bigger' than any issues of history; and that if a traditional policy of the 'separation of politics and economics' (*seikei bunri*) is reverted to, then eventually shared economic interests will act as a self-correcting mechanism to stabilize bilateral ties in the political and security dimensions (Abe, 2006: 152–3). In this way, they argue, although Sino-Japanese relations will not always progress smoothly, Yasukuni and related history issues will come eventually to be seen as something of a sideshow. The Yasukuni Shrine and related history issues will be surpassed by shared interests over trade, finance, energy and even security issues such as the denuclearization of the Korean Peninsula. Thus, both sides will come to share a 'future-oriented relationship', or as the latest slogans in Japan declare, a 'beautiful future' and a 'mutually beneficial strategic relationship' (*gokei-teki senryaku kankei*) (MOFA, 2007).

But are Japanese policy-makers (and other analysts) right in the strength of their assumptions? Is current Sino-Japanese friction over history just a 'passing phase'? Can Japan and China keep issues of history and the animosity or just the plain indifference that it has generated among their respective policy elites and societies towards each other from spilling over into other dimensions of their relationship? Is deepening economic interdependence really enough to prevent history and rising nationalism on both sides from inflicting fundamental damage on bilateral ties? This chapter seeks to pose and to answer some of these questions in thinking about the past and future of Japan–China relations. The approach and argument of the chapter is to agree that we certainly need to look beyond the contemporary spats over history and to look at the process of deeper structural change in the bilateral relationship in order to divine the real status and future of Sino-Japanese ties. This provides a more balanced perspective as to whether the current historical disputes are just a blip or aberration in the development of bilateral ties, or whether they are actually

a manifestation of more profound difficulties that will continue to govern, if not dominate, these ties.

It is possible to identify a series of dimensions and issues across which structural change is occurring and thereby reshaping Sino-Japanese relations. As indicated in Chapter 1, Japan–China bilateral ties are clearly embedded within and the product of structural change at the East Asia regional level, and both states will need to reconcile their relationship within the context of emerging concepts of an East Asia Community (EAC). Similarly, Japan–China relations are embedded within the constantly evolving strategic triangle involving respective bilateral ties with the US. Finally, Japan–China economic and security bilateral relations are being constantly remoulded in response to traditional security issues such as territorial disputes and competition for energy resources, but also non-traditional problems of environmental destruction and transnational crime (Hook et al., 2005: 199–201). If this chapter were able to investigate all of these issues, then the conclusion would be that, even as these changing structural dynamics provide opportunities for enhanced Sino-Japanese cooperation that policy-makers on both sides are genuinely attempting to exploit, at the same time their mismanagement in the past – and potential for mismanagement in the future – is also capable of producing worsening ties rather than the shared interests that many Japanese policy-makers might hope for.

However, the task that this chapter concentrates on is to look more at how structural change at the domestic level, predominantly in Japan, but also with some short and speculative parallel consideration of China, has been reshaping bilateral ties. The chapter argues that domestic structural change – drawing in all levels of society from the political elites down to the mass citizenry, and characterized by fundamental changes in political systems, decision-making and objectives, and consequently national identity – is making for concomitant deep structural tensions in Japan–China relations. In turn, the process of domestic structural change has integral to its dynamic a process of the reappraisal of, or perhaps the first real attempts to consider, the place of history within bilateral relations. This means that disputes over history should not just be seen as an incidental by-product of change in domestic politics or other dimensions of bilateral relations, but actually at the very centre of change and forming an agenda in itself that has to be addressed head on by policy-makers on both sides.

Contrary to the declared position of many current Japanese leaders, whether we accept their position as ingenuous or not, antipathies over history are unlikely to be resolved by political gestures such as bilateral summits, or by positive spillover from the economic interdependency. These measures will certainly help as steps in the right direction and to

mitigate tensions. Yet history's central and blocking position in bilateral ties is not likely to be dealt with until the full process of domestic structural change has worked itself out. Until that time, policy-makers on both sides must remain engaged in direct and serious attempts to deal with history and bilateral tensions, if they are not to spiral out of control. If tensions can then be kept under control, there must be aspirations for a better future for bilateral ties. This is because the dynamics of structural change, while containing sources of tension over national identity and history, also contain the seeds for the growth of new actors and possibilities for cooperation that can help to assuage tensions over the longer term. In turn, if Japan and China can reach a long-term and genuine accommodation on history, then this should create a more solid basis for wider regional cooperation. In the absence of this bilateral understanding on history, then all their other regional efforts may count for little.

2. THE POST-WAR STRUCTURE OF JAPAN–CHINA RELATIONS: OR HOW HISTORY NEVER ENDED OR BEGAN

For Japan, the domestic structures of its relations with the People's Republic of China (hereafter referred to as China) have for most of the last 60 years remained rooted in the post-war settlement imposed by Japanese defeat in World War II – or depending on your historical stance, the Fifteen Year War (*Jūgonen Sensō*), the Greater East Asia War (*Daitōa Sensō*), or Pacific War (*Taiheiyō Sensō*). Japan as a defeated power was obliged to accept the Allied Occupation, and the accompanying (and arguably in certain cases, as a result of the onset of the Cold War, the half-finished) reforms of democratization, deconcentration and demilitarization. The latter involved the International Military Tribunal for the Far East and the imposition of a new constitution, including the so-called 'peace clause' of Article 9. Japan eventually recovered its independence through accepting the San Francisco Peace Treaty of 1951. But this second part of the post-war settlement also had a fundamental impact on Japanese foreign policy orientation. Japan accepted that the condition for recovering its independence was to align itself with the US half of the bipolar divide by signing the US–Japan security treaty, and concomitantly that it would eventually achieve only a 'partial peace' due to the fact that the Soviet Union and China were not to be signatories of the San Francisco Peace Treaty.

In turn, Japan's acceptance of these domestic reforms and international alignments forged in the aftermath of the war gave rise to a particular structure of domestic politics. Japan's then dominant policy-makers, in the

shape of Prime Minister Shigeru Yoshida and his successors, forged a pragmatic policy of limited remilitarization and concentration on economic growth, a policy made possible by the US's provision of military protection and special economic dispensations to Japan. The 'Yoshida Doctrine' – whereby realizing rapid economic development and recovery was afforded greatest domestic and foreign policy priority – then helped pave the way for the establishment of the '1955 political system' of Liberal Democratic Party (LDP) one-party government and strong bureaucratic direction (Pyle, 2007: 241–69). The LDP 'Pragmatists' were able to keep the divisive issue of security generally off the political agenda (Boyd and Samuels, 2005: 17–19), with the explosive exception of the 1960 US–Japan security revision, and to build domestic legitimacy through delivering economic growth (Samuels, 2007: 43). Interest among the right-wing of the LDP (the nascent 'Revisionists') in the large-scale remilitarization of Japanese security policy was also checked to some degree by opposition from the Japan Socialist Party which drew its principal legitimacy not from economic divergence with the LDP but its espousal of anti-militarism.

The Yoshida Doctrine and 1955 political system also had a profound effect on Japan's national identity both internally and as projected in external relations. The Pragmatists, forced as they were to accept the 'victor's justice' of the post-war settlement, marginalized the image of the Meiji State, based on the emperor and nation and more radical forms of pre-war and wartime nationalism (Benner, 2006: 32–7). If Japanese nationalism was manifested internally at all, it was in the form of economic prowess, cultural particularism, or left-wing Anti-Americanism (McVeigh, 2004; Sakamoto, 2007; Berger, 2007). Japan's external national identity was also shorn of overt nationalism, as it was obliged to assume the low-profile posture of a defeated aggressor in East Asia. It attempted to compensate for its legitimacy deficit by positing the image of 'small Japan' and 'peace-loving state'. Japan had to practise 'tiptoe diplomacy' (Ampiah, 1997) to gradually reintegrate itself economically and to some extent politically in East Asia, and history was avoided as an issue that would generate unnecessary controversy. The pursuit of *seikei bunri* (separation of politics and economics) was generally successful in the immediate post-war period, with the frequent exception of South Korea for much of the post-war period, and the occasional exception in Southeast Asia such as the anti-Japanese riots and boycotts in the mid-1970s. History was kept off the agenda in ties with much of East Asia because of the need of both sides for economic development (Berger, 2007: 190). Moreover, Japan's disinterest in tabling history as an issue was reinforced by the general divorce of the Japanese citizenry's collective memory from the imperial past. Japan's rapid defeat and stripping away of its colonies post-1945 relieved it of the burden of the decolonization process, and thus of fully

coming to psychological terms with its history as a colonizer, in contrast to the experience of many Western colonial powers (Hook et al., 2005: 187).

Japan's post-war settlement, the Yoshida Doctrine, 1955 system and suppression of nationalism and history as factors in internal and external identity, inevitably fed through into the shaping of Sino-Japanese relations, giving rise to what has been termed concomitantly as a '1972 system' for the management of bilateral ties (Wan, 2006: 84–6). LDP Pragmatists recognized the need to conform with US priorities and to recognize and conclude a peace treaty with Taiwan. But Yoshida and his successors held out long-term hopes for the normalization of ties with China, doubting that Chinese communism was a serious threat to Japan or ally of the USSR and seeking to restore vital economic ties. Although the 'Taiwan Lobby' remained a significant presence in the LDP and elements of the business community, and occasionally grasped power as in the case of Prime Minister Kishi Nobusuke, it never succeeded in the long-term domination of Japan's China policy, and after fierce domestic controversy was eventually decisively routed by Prime Minister's Tanaka Kakuei's normalization of ties with China in 1972 (Iwanaga, 1985; Welfield, 1988; Deans, 2002).

Hence, in most of the post-war period, and especially from the period of the normalization, Japan's China policy has been in the hands of the Pragmatists led by the descendants of the Yoshida faction and then by the Tanaka faction. China policy was further given a degree of consistency and predictability by the careful management of the China 'faction' of the Asian Affairs Bureau of the Ministry of Foreign Affairs (MOFA), that was capable of standing up to pro-US bureaucrats of the North American Affairs Bureau. In addition, the pragmatic stance of the government was backed by big business and by and large by the Japanese public. Japan's various pro-'China booms', even if rooted in often superficial or romantic understandings of cultural affinities and 'panda diplomacy', served to strengthen consensus for improved ties (Green and Self, 1996: 35–58). Again, though, questions of national identity and history, in line with Japan's pragmatic approach, were largely kept off the agenda for Sino-Japanese relations. The Joint Communiqué of 1972 and the Treaty of Peace and Friendship of 1978 make no explicit reference to history, other than agreeing to waive China's right to reparations from Japan, and the relationship was now one of non-aggression (Kokubun, 2007: 152). Other issues bound up with the historical legacy such as territorial disputes were deliberately shelved in the name of improving bilateral ties.

Japan and China's 'history-lite' approach to forging their bilateral relations largely held together from 1972 until the late 1990s (Rose, 2005: 42–8). Clearly issues of history did intrude on Sino-Japanese ties, and China was often prepared to resort to using the history stick to galvanize its own

population and to wage 'people's diplomacy' in Japan itself against what it viewed as the residue of unrepentant imperialist 'rightists' among the policy elites. Sino-Japanese disputes flared up over Japanese textbooks in 1982 and 1986, and Prime Minister Nakasone Yasuhiro's visit to Yasukuni in 1985. But these were defused with continued promises of yen loans and contrite but low-key recognition by Japan of past aggression (Drifte, 2003: 28–9). The consensus held in Japan that history should not be allowed to damage Sino-Japanese relations, and that Japan should stick to its task of supporting Chinese reformers and its peaceful integration into the international community.

In large part, this state of Sino-Japanese relations was able to hold because the international environment, despite the ongoing changes and fluidity of the second Cold War, generally anchored Japan and China in their respective post-war international settlements and role. Japan's domestic political economy and the 1955 system certainly began to creak by the mid-1970s but the LDP Pragmatists preserved their dominance by resorting to the politics of redistribution (Pempel, 1998). Similarly, the Chinese Communist Party's grip on power was seen to begin to slip by the 1980s, but still held for this period. In this sense, then, Japan's post-war relations with China remained stuck in a time warp of the post-war settlement and concomitant domestic systems, meaning that for Japan in this period history never ended. But in another sense, Sino-Japanese relations, even though they began in 1972, never had the opportunity to start afresh as the issue of history was deliberately brushed aside.

3. THE TRANSFORMING STRUCTURE OF JAPAN–CHINA RELATIONS AND THE DEMISE OF THE 1955 AND 1972 SYSTEMS

The alternative title for this section could be 'or how post-war history has ended for Japan, but started again for China'. Japan–China relations are now undergoing a fundamental transformation due to a range of dynamics across a range of dimensions and levels, as already identified above. The changing international dimension of Sino-Japanese relations is important because it has triggered a simultaneous change in the structure of Japan's domestic politics and a subsequent re-evaluation of national identity and history in the make-up of its internal society and its external relations. The result has been that history has been released for the first time as a central and perhaps decisive issue in bilateral ties.

Japan, in experiencing the end of the Cold War international system, has also begun to experience a release from the post-war settlement, and to face

up to a number of new international challenges. Firstly, the end of the Cold War and relative decline of US hegemony has posed new security demands for Japan, and especially within the context of the US–Japan alliance. Of course, Japan has become even more closely allied with the US, as seen by the strengthening of the bilateral alliance from the mid-1990s onwards. However, the US has made it clear at the same time that alliance ties should involve new burdens for Japan in terms of more flexible interpretations of the functional and geographical scope of the security treaty and other forms of bilateral military cooperation for regional and global contingencies (Hughes, 2004). The US has also made it clear that it is declining in its need and willingness to offer preferential economic concessions to major allies, and will no longer tolerate discriminatory trade practices. In turn, the changing international system represented by shifts in US hegemony, has been accompanied by the release of globalization and regionalization forces. These have proved a double-edged sword for Japan: stripping away the previous insulating effects of the Cold War, penetrating its internal political economy and creating new forms of competition, but also providing new avenues for economic governance and cooperation on the inter-state and transnational levels.

Japan's facing of pressures to assume a new security role under US tutelage is clearly one cause of enhanced Sino-Japanese tensions after the Cold War. But the key point to note here is how the changing international system has fed through into the transformation of the domestic structure in Japan. The end of the Cold War and the rise of associated new international challenges have contributed to the demise of Japan's 1955 political system (Yamaguchi, 2004: 40–48). For Japan, the issue of a re-militarized security role has been increasingly placed at the forefront of the legitimate political agenda. Japan's need to address a new global and security role since the 1990/91 Gulf War and through to the recent conclusion of the 2006 Defence Policy Review Initiative has weakened the position of the LDP Pragmatists, strengthened the hand of the Revisionists, and worked for the diminution of the socialist Left. Similarly, the retreat of the Cold War system and US insulating economic dispensations, and onset of globalization and regional competition, have contributed to Japan's Heisei Recession and relative international economic decline. The LDP's ability to deliver economic growth to guarantee its legitimacy has been undermined by these economic changes. It has managed to regain and cling on to power post-1994 through coalition politics and often excessive policies of redistribution, but it has found diminishing capabilities and electoral returns through these policies as Japan's financial situation worsens.

The result of these changing security and economic dynamics was that the LDP and the electorate turned to Koizumi as leader, and his brand of

conservatism, in many cases arrayed around the faction of Mori Yoshirō, descended from the Kishi faction. This brand of conservatism, often marginalized in the past by the presence of the Pragmatists of the factions descended from Prime Ministers Yoshida and Tanaka Kakuei, advocates smaller government and strong revisionism in security policy (Mikuriya, 2007: 46–9). Koizumi and Abe have made it clear by their actions that their long-term aim is to dismantle for good the post-war system, and if necessary the LDP as well, both in economic and security terms. The Revisionists agenda thus includes revision of Article 9 of the Constitution, which represents a vision of a defeated Japan, lacking in the full sovereign capabilities of a modern nation-state (Hughes, 2006). It also involves disposing of the post-war settlement and system by revising the post-war ‘masochistic’ view of history of Japan as an outright aggressor against East Asia (Benfell, 2005).

Instead, the Revisionists prefer to institute in Japan a collective historical memory which argues that past military actions were necessitated by the threats posed to national existence by the other great powers; that Japan in certain ways destroyed the ‘myth of white supremacy’ and prepared the way for the liberation of East Asia from Western colonial rule; and that Japanese imperialism was in many ways a qualitative improvement over Western modes due to its emphasis on modern economic and social development. Finally, this entails re-inculcating into Japan a sense of patriotism or ‘healthy nationalism’ through changing the Basic Education Law, and through the practice of assertive diplomacy (Tanamoto, 2007: 16–19). Hence, for the Revisionists that have now increasingly captured power in Japan, the post-war period has ended, or it is time to finally bring it to a decisive end, and this can only be accomplished by rejecting much of the legacy of Japan’s self-image – regardless of whether it has been externally imposed or domestically internalized – as a defeated aggressor and semi-sovereign state.

The undoing of the post-war settlement, 1955 system, and preoccupation with asserting a revisionist view has major structural implications for the unravelling of the 1972 Japan–China political system and Japan’s regional identity. The Mori faction, as the descendant of the Kishi faction, is known for its general disinterest in ties with China, and greater predisposition towards Taiwan (Noble, 2007). Abe’s focus on a ‘principled’ foreign policy and interest in democracy as a common uniting value for an EAC further hints at more interest in ties with Taipei than Beijing. Much of the current crop of the LDP leadership also lacks the close ties or ‘pipes’ of their predecessor to China’s political elites. Most importantly, it is apparent that the Revisionists can never fully submit to China over the issues of Yasukuni and history, as it is simply integral to their domestic political agenda (Hughes and Krauss, 2007).

Japan's capture by Revisionists has impacted on the structure of Japan–China relations in other ways. The steady management of relations by the China faction of MOFA has been gradually eroded in the post-war period. MOFA internally has come to be dominated by the North American Affairs Bureau (NAAB) as the strengthening of bilateral alliances has been accorded overall priority. MOFA itself has been weakened in the overall process of determining Japan's foreign policy trajectory, due to its own internal scandals and political machinations, the growing expertise of politicians in foreign policy, and the rise of other bureaucratic actors such as the Japan Defence Agency (Ministry of Defence as of January 2007). Japan–China relations have thus become the political football of a number of actors, and this has made for increased unpredictability in their management.

Japan's escape from the post-war period has further impacted on Sino-Japanese relations by transforming much of the nature of non-governmental connections between the two states. The predominant strength of bilateral relations remains the importance attached by Japan's business community to China as a production base and potential market. The *Keidanren*, Japan's largest business community, has frequently made clear its displeasure at Koizumi's visits to Yasukuni. But while the ending of the post-war period in Japan has certainly strengthened inter-business ties, this has been countered by the increasing estrangement at the mass citizenry level towards China. As noted earlier on, in the Cold War period, many Japanese citizens held a rather 'romantic' cultural affinity towards China based on the simplistic notions of '*dōbun dōshu*' (same letters, same race). In the post-Cold War period, Japan's citizenry has been exposed through travel, modern communications and labour migration to a more diverse set of images of China, including those of an economic or security threat. Opinion polls taken by Japan's Cabinet Office, for instance, show that between 1988 and 2005 the proportion of Japanese feeling a sense of amity towards China has declined from around 70 to 30 per cent, while those feeling that bilateral ties are in a good condition has declined from around 55 to 35 per cent (Mōri, 2006).

This decline in Japanese public feeling vis-à-vis China is not to say that the majority in Japan has necessarily lined up with the more radical Revisionist sentiments, and it is clear that public opinion was also generally against Koizumi's visits to Yasukuni. However, the most disturbing conclusion from the polling information is that, if at least there is no open antipathy towards China, there is perhaps indifference and a fatigue over Chinese demands for Japan to compromise on history. This is a sea change from the past, and this lack of willingness to deal is not a healthy situation for relations between two such important neighbouring states.

Likewise on the Chinese side, there appear to have been similar domestic structural transformations that are pushing history to the forefront of Sino-Japanese ties and imposing major obstacles to any form of *seikei bunri* relationship. The CCP, just like the LDP, is undergoing its own crisis of legitimacy as it is confronted with international and domestic economic change. The result is that it has also been tempted to turn to history as a means to reconstitute its domestic political legitimacy (Hughes, C.R., 2007, Tajima, 2005). Moreover, the Chinese Communist Party (CCP), just like the LDP, faces some fundamental political risks in allowing the release of history as an issue in bilateral ties. It appears from the background of the anti-Japan riots in China in April 2005 that a new phenomenon is emerging of more spontaneous protests over history and boycotts of Japanese goods. The Chinese people are perhaps themselves now coming to believe that it is not just a handful of 'rightists' in Japan that are bent on remilitarization but that militarism or at least limited remorse for the colonial past is a sentiment deeply embedded in Japanese society itself (Amako, 2006: 59–67). Hence, for China's elites and public a new phase in Sino-Japanese ties may be opening of real estrangement at the governmental and societal levels, and whereas for Japan the aim is to reject past history, for the Chinese side the aim is now finally to start the process of examining historical ties, a process that had been in virtual suspended animation since 1972.

4. CONCLUSION: THE FUTURE TRAJECTORY OF JAPAN–CHINA RELATIONS

Japan–China relations have shown themselves capable of falling into an uncomfortable bind. The processes of domestic structural changes on both sides have created a situation whereby the issue history now occupies an awkward central position in the political agenda and domestic legitimization of the respective governing elites. At the same time, other possibly compensatory political mechanisms that might assuage the history issue at the bureaucratic and popular levels have been undermined by the process of structural change. Japan and China thus confront an odd type of 'history dilemma' to accompany their broader security dilemma. Japan's policy-makers want to declare an end to post-war history in order to reformulate national identity, but in doing so cannot help revitalizing it as a domestic and diplomatic issue, thereby playing into the hands of sections of China's policy-makers that actually want to initiate a conversation on starting to think about post-war history. All this spells a fundamental divergence between Japan and China over thinking about the place of history in their relationship.

It is made all the more worrying by the fact that elements of the Japanese policy-making system and their ideologue informants can at times appear either self-deluding or disingenuous in not recognizing the centrality of the history issue to bilateral relations. One extraordinary example of this was the actions of Okazaki Hisako, one of Abe's chief 'brains' in foreign policy, in persuading Yasukuni to revise one of its exhibits at the adjacent Yūshūkan exhibition hall, on the grounds that it might offend the US sensibilities about the origins of the Pacific War, rather than as an attempt to reconsider the damage that the shrine visits in general were inflicting on Sino-Japanese relations (Okazaki, 2006). Perhaps even more extraordinary was the act of the Committee for Historical Facts, consisting of a number of Japanese Diet members, journalists and analysts, many of whom are close to Abe, in placing a full page ad in the *Washington Times* on 17 June 2007. This advertisement purported to present 'The Facts' about the comfort women issue and to challenge the pending US House of Representatives resolution seeking to call on the Japanese government to issue an apology for this part of its colonial history. Regardless of the debate over the historical accuracy of the contents in the advertisement, the fact that those close to Abe were so bold in their assertions displays their increased confidence in pushing their view of colonial history even in the United States.

If Japan–China relations are experiencing fundamental structural change derived from large shifts in the international system and domestic politics, then it is clearly not an easy task for either side to rein in the history issue. The process of change may have to fully play itself out, and the hope is that policy-makers on both sides will keep tensions under wraps until both sides are ready for a proper conversation about history. One thing that is certain is that the history is not just a result of pure manipulation by either the Chinese or Japanese sides (Yang, 2002; Deans, 2006). Policy-makers on both sides are certainly not above utilizing the issue for domestic political gains, but there are also genuine differences on how they see history, and these differences are also percolating down into genuine sentiments in their societies. The history issue will not go away and be cancelled out with a few summits or through just pursuing better economic ties. It will require a proper and honest political resolution that matches the domestic political realities on the ground in both states. A key question on the Japanese side is whether Abe and his ilk are up to the task of genuinely tackling history 'square on' (MOFA, 2007). Abe's dalliance with Yasukuni in May 2007 and his inability to initially restrain himself over the comfort women issue in March 2007, illustrate that his generation of political leaders are doing anything but facing the history head on and maintaining an ambiguous stance, and will find it hard ultimately to yield on the history issue.

Clearly reaching such a resolution is a task fraught with difficulties, especially as long as the history remains bound up with deep domestic political change. But domestic change will ultimately stabilize, and provide a breathing space for more sober evaluation of the importance of bilateral political ties. Indeed, there are signs at the time of writing this chapter in September 2007 that the Revisionist bandwagon might be beginning to grind to a halt. Prime Minister Abe's decision to resign in September due to his defeat in the House of Councillors' election in July raised the prospect of his possible succession by Asō Tarō, an even stronger proponent of Japan's assertion of its national identity and refusal to be held back by the history issue (Asō, 2007). However, Asō may well find that his bid for power is frustrated by the re-emergence of Fukuda Yasuo as a candidate for the premiership. Fukuda represents a policy line closer to the Pragmatists, at least in terms of foreign policy and the search for a genuine accommodation with East Asia over history issues. Hence, domestic structural change might contain a longer-term self-correcting mechanism that restores more centrist domestic politics and a cautious stance on revising history.

Furthermore, the triggering of structural change provides opportunities as well as hazards for bilateral ties. The very same processes of globalization and regionalization that have battered down the 1955 system and excited Sino-Japanese rivalry also contain potential mechanisms for improving ties. Japan and China are regional rivals and may yet compete to wreck each other's visions for an EAC, but on the other hand they at least now have a glimpse of new opportunities to embed their bilateral animosities within a broader regional and stabilizing framework that may enable them to cool their disputes and begin to fully address questions of history. In addition, just as the onset of globalization has complicated Sino-Japanese ties by introducing new actors and producing new, often negative, images of the other side, so it has also opened up the possibility for new forms of interchange that may assist relations and regional cooperation. Japan's citizenry may have become more suspicious of China, but it has provided it with more opportunities than before under conditions of globalization to produce new contacts with Chinese society and to forge new understandings, and hopefully not misunderstandings, over history.

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3. Sino-Japanese relations after Koizumi and the limits of ‘new era’ diplomacy

Caroline Rose

1. INTRODUCTION

The period 2001 to 2006 was marked by growing tension in the political and diplomatic aspect of the China–Japan relationship, attributed largely to former Prime Minister Junichiro Koizumi’s regular visits to the Yasukuni Shrine and the Chinese government’s increasingly angry response. By mid-2006, the relationship was said to have reached its lowest ebb since normalization. However, during Shinzō Abe’s albeit brief reign as Prime Minister from September 2006 to September 2007, both sides appeared firmly committed to repairing the ties and building a strategic reciprocal relationship. Considerable progress was made in the form of two summit meetings in October 2006 and April 2007, marking a thaw in the relationship at the elite level. Prime Minister Yasuo Fukuda’s pro-China stance promises to continue this trend. Thus, Sino-Japanese diplomatic relations appear to be entering a more stable phase, benefiting from a wave of high-level activity at summits, a return to regular and more institutionalized consultations and dialogues, and side-line meetings at regional gatherings. This improvement has been accompanied by announcements that the relationship is entering a ‘new era’.

‘New era-ism’ is a recurring theme in the literature on Sino-Japanese relations. A number of ‘new eras’ have been proclaimed since the 1970s as the relationship has recovered from one or other crisis or low ebb (Rose, 2004). Such pronouncements, (made by leaders themselves and reprinted in official media, or by academics and observers alike) perform the symbolic function of allowing the slate to be wiped clean, and enable both sides to re-focus their energies on repairing what are perceived to be the weakest aspects of the relationship while providing an opportunity to further reinforce the stronger aspects. New era-ism, when announced at the official level, is usually accompanied by injections of funding and official support

for youth exchange, cultural exchange, friendship group activity and other aspects of public diplomacy. It can also be attended by the announcement of new aid and loan packages (from Japan to China). As this chapter will show, the 'new era' proclaimed in the post-Koizumi period has displayed a number of these characteristics and has resulted in a considerable relaxation of tension. The chapter questions, however, the value of viewing Sino-Japanese relations in this way, suggesting that a 'boom-bust' approach to the relationship obscures the structural changes in the relationship which have been taking place, largely at sub-state level, preceding and throughout the Koizumi period.

The chapter begins by outlining some of the key developments in China-Japan relations since Koizumi stood down, highlighting in particular the role of friendship and public diplomacy in helping to restore a more positive image of Sino-Japanese relations. It focuses on the joint history project and exchange programmes that both governments have supported since 2006. It then considers the limits of this sort of new era diplomacy, arguing that it, or perhaps the rhetoric surrounding it, places too much emphasis on the role of one individual (that is to say the Japanese prime minister) in the relationship, and overshadows the high levels of interaction that have been taking place between Chinese and Japanese organizations, companies, regional governments, non-government organizations (NGOs) and so on as a result of deepening economic interdependence since the 1970s.

2. REPAIRING THE RELATIONSHIP: THE ROLE OF FRIENDSHIP DIPLOMACY

By early 2006, the Chinese leadership made it clear that they would not be seeking any opportunities to arrange a summit meeting with Prime Minister Koizumi as long as his stance on visits to the Yasukuni Shrine remained unchanged.¹ While this aspect of the relationship had reached a stalemate, however, strong signs were emanating from Beijing that the Chinese leadership would nonetheless be willing to deal with Koizumi's (as yet unidentified) successor. Thus, as Przystup (April 2006) points out, in the first few months of 2006 Beijing 'hosted a number of high-level political delegations and courted Koizumi's potential successors'. The resurrection of friendship diplomacy, reminiscent of Sino-Japanese relations in the 1950s and 1960s,² was marked by a flurry of activity by cabinet ministers, diplomats, friendship groups and Diet members from both ruling and opposition parties which indicated a willingness on *both* sides to prepare the ground for the restoration of top-level relations as soon as the situation permitted.³

Representatives of the Japan–China Association and the Japan–China Parliamentary Friendship Association met high-level Chinese representatives in China in February 2006, while visits to Japan by the China–Japan Friendship Association and the China International Friendship Liaison Council in the same month enabled these groups to meet Shinzō Abe (then Chief Cabinet Secretary) and Tarō Aso (then Foreign Minister), both of whom would become front-runners in the LDP presidential candidacy later in 2006. Also in February, the Minister of Economy, Trade and Industry, Nikai Toshihiro, met China's Premier Wen Jiabao in Beijing, and in March 2006, members of the LDP's influential Policy Affairs Research Council visited China to discuss ways in which China and Japan could move towards a more future-oriented relationship. Further friendship group exchange took place in March 2006, with an important delegation from seven Japan–China friendship associations (who met both President Hu Jintao and Premier Wen Jiabao), and later, in July 2006, with a delegation from the cross-party Japan–China Parliamentary Friendship Association. In May 2006, the foreign ministers of both countries met each other for the first time in a year (in Qatar), a meeting that was viewed in positive terms by both sides, and in June 2006 the Japanese government made the decision to lift the freeze on yen loans to China, marking a further improvement in relations (Przystup, April 2006; July 2006).

The substance and outcomes of these meetings and developments is perhaps less significant than their symbolism – by facilitating the exchange of high-level personnel, both sides were able to keep the channels of communication open and signal their respective aims and expectations. It is a tried and tested means of informal diplomacy that has been employed at various points since the 1950s by both Chinese and Japanese governments when relations have not been proceeding smoothly, and it enables both sides to gauge subtle changes in the political temperature. This was evident in the first half of 2006 as the relationship showed signs of warming up. While the Chinese side would inevitably raise the issue of the Yasukuni Shrine visits and the problems they posed for Sino-Japanese relations, they also adopted a pragmatic stance and talked frequently of the need to maintain a dialogue. After Koizumi's visit to the Yasukuni Shrine on 15 August, 2006, the Chinese response (in the form of protests to the Japanese ambassador and the Japanese Ministry of Foreign Affairs) was tempered. While indicating anger with Koizumi himself, the statements nonetheless indicated a willingness to 'continue to work untiringly with all Japanese statesmen and people who value and are committed to China–Japan friendship' (Przystup, October 2006).⁴

Friendship diplomacy and high-level activities paved the way for new Prime Minister Shinzō Abe to receive a warm welcome from his

counterparts when he visited China during his first month in office. Abe was himself keen to repair relations. He had signalled his desire to see a resumption of summit talks between China and Japan soon after he had declared his candidacy in the LDP presidential elections in early September 2006. Once elected, in his policy speech to the Japanese Diet on 29 September, 2006 he talked of the need to strengthen the bonds of trust with China (and South Korea) to enable future-oriented and frank discussions (Abe, 2006). His 'strategic ambiguity' on the issue of whether or not he would visit the Yasukuni Shrine seemed to placate the Chinese side. In stark contrast to former Prime Minister Koizumi, and indeed Abe's own formulation as stated in his *Utsukushii Kuni e (Towards a Beautiful Country)*, the new prime minister adopted the view that economics and politics could no longer be separated in China–Japan relations, but must move forward simultaneously (Jiang, 2007).

Abe's visit to China in October 2006 succeeded in 'breaking the ice' and culminated in a joint press statement in which both sides agreed to build a 'mutually beneficial relationship based on common strategic interests'.⁵ Among other things, this meant an agreement to pursue such common goals as cooperation on energy, the environment, finance, information and communications technology, and protection of intellectual property rights. They also agreed to actively develop youth exchange, to enhance mutual trust in the security sphere, and to commence joint history research between Japanese and Chinese scholars. These goals, and more, were fleshed out in more detail during Premier Wen Jiabao's 'ice-thawing' visit to Japan in April 2007. The joint press statement issued after this summit meeting stressed the need 'to further develop concrete co-operation' for the creation of a mutually beneficial relationship and expanded upon the areas in which both sides could reinforce dialogue and exchange at all levels, and strengthen cooperation in domestic, regional and international spheres.⁶

3. TOWARDS A NEW ERA IN SINO-JAPANESE RELATIONS?

Once the ice had started melting, and a number of the exchange initiatives were underway, there emerged, though perhaps tentatively at first, some 'new era' proclamations. Of particular note here are those uttered at the official level. For example, the Japanese Ministry of Foreign Affairs (MOFA) produced a pamphlet in March 2007, perhaps to mark Wen Jiabao's forthcoming visit to Japan, entitled *Japan–China Relations Enter a New Era*. The pamphlet highlighted the numerous activities involving Chinese and Japanese at all levels, and stressed the degree to which the two

countries are becoming increasingly close through the exchange of students and visitors, via friendship programmes, cultural and sports exchanges, and through economic exchanges, which refers here to Japan's overseas development assistance to China (Ministry of Foreign Affairs, 2007). References to a new era were also made on the Chinese side. In an interview given to Japanese journalists just prior to his visit, Premier Wen Jiabao was positive about the outcome, stating that the aim to build a strategic, mutually beneficial relationship was a 'significant event, ushering in a new era of China–Japan relations'.⁷

Given that some of the more controversial issues that have beset Sino-Japanese relations in recent years have centred on the very different interpretations of the Second World War held in China and Japan (for example, textbook controversies and the Yasukuni Shrine visits), it is important to note the particular emphasis placed by Abe on the need for Japan to 'look at past history squarely'. One of the major initiatives in this regard is the agreement to set up the first official joint history project between China and Japan. The project had in fact been the subject of discussion for some time, Koizumi having raised the need for this sort of activity in 2001, for example. It took until the middle of November 2006, however, for Foreign Ministers Tarō Aso and Li Zhaoxing to agree that the project should go ahead. It involves a team of ten historians from each country, some of whom were previously involved in the production of a joint Chinese–Japanese–Korean history reader, the result of a non-governmental transnational initiative.⁸

The participants of the joint history project have been tasked with studying ancient, wartime and modern Chinese and Japanese history with a view to producing a final report (in the form of a collection of essays) by June 2008. Meetings have thus far taken place in December 2006 and March 2007. Few underestimate the difficulties that such a project poses, and it is unlikely that agreement will be reached on one authoritative shared history of Sino-Japanese relations, in particular relating to Japan's aggression in China. After the March 2007 meeting it was announced that the chapters would be separately authored, thereby raising doubts about the extent to which the project can be considered a truly 'joint' endeavour (Yoshida, 2007, Ministry of Foreign Affairs, 2006). This is reminiscent of the Japan–Korea joint history project launched in the wake of the Junichiro Koizumi–Kim Dae Jung summit of October 2001. The report for this project was completed in June 2005, one year behind schedule, and not without much press coverage of the difficulties and disagreements encountered along the way.⁹ Yang (2002) comments generally on the difficulties of bringing a common history to a wider audience, let alone converting this sort of endeavour into history education that can cross national borders. He points, for example, to the vicissitudes of the joint work that has been

ongoing between Japan and South Korea since the 1960s and also notes Sun Ge's criticisms of collaborative research on war history between Japanese and Chinese historians in the 1990s which 'combine exchange at a shallow level with absence of communication at a deeper level' (Yang, 2002: 11).

Those involved in the Sino-Japanese project are no less aware of the difficulties. Indeed, Professor Bu Ping, who heads up the Chinese team of historians was a key contributor to the Chinese-Japanese-Korean history reader mentioned above and, along with some of the other contributors, acknowledged the difficulties encountered during the compilation process of the reader. On publication of the joint readers in 2005, some of the writers and publishers recalled that at the time there were 'fierce disputes'. This was also acknowledged in the preface to the Chinese version of the reader.¹⁰ Not surprisingly, areas in which the authors disagreed during the writing process included, among others, the extent of Chinese suffering during the war, Japan's colonial rule in South Korea, and the numbers of civilians killed in the Nanjing Massacre. Overall, however, the authors felt that they reached a consensus on major historical events. Bu Ping further commented on the fact that, for him, 'the process [was] more important than the result'.¹¹ The regional media that picked up on the reader also praised it as, for example, 'a step towards a new era of mutual reconciliation',¹² and a 'new page in regional co-operation'.¹³ Given the size of the task, the concrete outcome of the joint history project is, at this stage perhaps, less important than the symbolic importance of a jointly-sponsored initiative that indicates that the Abe government at least acknowledged the existence of a history problem.

One of the other important developments in post-Koizumi Sino-Japanese relations has been the continued emphasis on public diplomacy, exemplified by two major programmes: the Japan-China 21st Century Friendship Programme (launched in May 2006), and the China-Japan 2007 Year of Cultural and Sports Exchanges (launched March 2007). As with the history project, these are high-profile endeavours, enjoying the active support of the Chinese and Japanese leadership whose aim is to foster deeper mutual understanding and friendship at the grassroots level. This is deemed necessary to correct the poor public image each country has of the other, as measured by opinion polls in recent years. Activities include exchanges of students on study tours, online dialogues and student conferences, table-tennis tournaments, pop concerts, arts and film festivals, culture weeks and so on. One highlight was the visit of a Japanese youth delegation to China led by former Prime Minister Nakasone Yasuhiro in June 2007. The 200-member delegation was composed of 'descendants and representatives' of the equally high-profile (3000-strong)

1984 delegation which had shared the same aims of helping to develop greater and deeper understanding between Japanese and Chinese young people. The delegation was met by President Hu Jintao who stressed the importance of the visit, noting that the visitors were helping to ‘breathe new life’ into the traditional friendship between China and Japan.¹⁴ Numerous other friendship-related activities have also been organized to mark the 35th anniversary of Sino-Japanese normalization, ranging from media exchanges between Chinese and Japanese news agencies to football matches between Japanese Diet members and Chinese National People’s Congress deputies.¹⁵

It is difficult to gauge accurately the success or impact of these sorts of activities, but there is evidence to suggest that they have had a positive effect on at least some of those involved. The MOFA pamphlet produced in 2007, for example, concludes with a section on the ‘rewards of mutual understanding’ which contains quotes from Chinese and Japanese high school students about their positive experiences of exchange visits and their improved understanding of each other. On a broader scale, a joint China–Japan opinion poll conducted in May 2007 revealed that 50.5 per cent of the Chinese respondents had an improved impression of Japan, an increase of over 12 per cent on the previous year (Przystup, October 2007).

4. THE LIMITS OF ‘NEW ERA-ISM’

While noting the positive developments in Sino-Japanese relations as a result of the ‘new era’ diplomacy, it nonetheless perpetuates a cyclical, stop-start view of the relationship and ignores the cumulative effects of links, not least at sub-national level, that have evolved since normalization. A further caution should be sounded given that ‘new era’ pronouncements, in particular those that emanate from the Chinese media, are possibly premature, especially if the perceived success and longevity of the new era is so closely associated with the actions and policy stance of one individual, that is the new Japanese prime minister.

It is worth noting, for example, some of the Chinese coverage of Shinzō Abe as he took office. Jiang (2007), for example, notes the decidedly positive spin placed by the Chinese media on Abe’s shifting and softening positions, for example on the history problem. Hughes (2006) comments on the sanitized interpretations of Abe’s views and policy positions as represented in the Chinese media that created a more moderate image of the new prime minister than was perhaps the case. Abe’s nationalist credentials and his position on, for example, revision of the Fundamental Law of Education and the constitution, were even more strongly held than Koizumi’s, an

aspect that could have been received with alarm in Chinese circles (as indeed it was in some of the Western media). The surprisingly uncritical, tempered treatment of Abe continued in the Chinese press, even when he appeared to be in danger of becoming embroiled in sensitive history-related issues such as the comfort women issue or the ongoing debate within right-wing circles in Japan about the 'facts' of the Nanking Massacre.

The apparent determination of the Chinese government to continue with a policy of 'positive engagement' could be seen right up to (and extending beyond) Wen Jiabao's visit to Japan (Jiang, 2007). The difference between the Chinese media's treatment of Abe, and that of Koizumi, is marked. As noted above, Chinese criticisms of Koizumi were, latterly, levelled at him as an individual, thereby divorcing him, and his actions, from those in the LDP and beyond. They, while not necessarily supportive of his particular stance on the Yasukuni Shrine visits, nonetheless agreed with the general shift in Japanese foreign policy which he represented and which, arguably, informed his thinking behind his Yasukuni Shrine visits: that is, revision of the Fundamental Law of education, constitutional revision, re-assessing the post-war system and so on. In treating Koizumi this way, the Chinese leadership, via the press, attached a great deal of significance to one particular office holder – who was deemed single-handedly to be responsible for the parlous state of Sino-Japanese relations – while ignoring the broader context in which he operated. On the other hand, it enabled Shinzō Abe to be portrayed in a positive light. Thus, despite the fact that the agenda to which both LDP politicians adhered was largely the same, the Chinese press played down Abe's political leanings. This is perhaps indicative of Chinese pragmatism and a desire to maintain stable relations with Japan in the run-up to summit meetings, the 17th Party Congress, and even the Olympics.

One wonders, however, how long such a stance can be maintained. As Christopher Hughes argues in Chapter 2, fundamental changes in both Chinese and Japanese worldviews are beginning to transform the ways in which they are dealing with each other. The Koizumi/Abe-style new conservatism, supported by a large and powerful group of revisionists, appears to set Japan on a trajectory away from closer ties with China. At the level of 'grand strategy' then, the relationship appears to be in danger of moving towards one of estrangement if the fundamental differences of opinion on history and national identity are not fully addressed. Viewed from another angle, however, the picture is not so grim.

The absence of summit level meetings since 2003 did not stand in the way of the inexorable rise in the volume of China–Japan trade and Japanese foreign direct investment (FDI) in China, despite the sombre predictions of some observers that political tensions were threatening to dampen

economic relations. This sentiment was expressed particularly during the heightened tensions in April 2005 when anti-Japanese demonstrations took place in major cities across China. Chinese (popular) boycotts against Japanese goods, cars, restaurants and shops were of great concern to company bosses. A Japan External Trade Organization (JETRO) survey carried out shortly after the demonstrations reported on the anxieties expressed by Japanese companies operating in China about falling sales and poor labour–management relations. The JETRO (2005) report also pointed out that the number of Japanese companies considering expansion or new ventures fell sharply. There was also a downturn in Japanese tourism to China. These trends appeared to last only in the short term, however, and trade and investment patterns, on the whole, continued on an upward trajectory. In fact according to Przystup, one JETRO official later noted that the demonstrations ‘had “no effect” on bilateral trade’ (Przystup, April 2006). Similarly Keidanren Chairman, Okuda Hiroshi, supported the view that economic ties did not cool as a result of political tensions during the Koizumi period.

Sino-Japanese relations have seen a broadening and deepening of economic links since diplomatic normalization in the 1970s, facilitated by China’s open-door and modernization policies and the pursuit of a socialist market economy, Japan’s gradual deregulation and liberalization, and growing regionalism and globalization (see Chapter 1). Kokubun (2006) notes the gradual shift from a vertical to a horizontal economic relationship, away from one between an advanced and a developing country based on Japan importing raw materials and exporting advanced technologies. Increasing levels of FDI by Japanese companies in China through the 1980s, and the move of Japanese manufacturing facilities to China to take advantage of lower labour costs in the 1990s brought about a deepening interdependence between the two economies.

As a result of these thickening ties, and as research by Jain (2005; 2006) and Hook (2006) has shown, there has been a marked increase in economic and other forms of cooperation below the national state level. This takes the form of direct relations between prefectures and cities in Japan and provinces and cities in China, based on economic complementarity, geographic proximity, historical connections and so on. Sub-national governments (SNGs) in both countries enjoy a certain amount of autonomy, and Jain’s research highlights the speed at which Japan’s SNGs developed relations with their Chinese counterparts in the 1980s and 1990s. Links included sister city arrangements, the establishment of trade promotion offices, technical cooperation and so on. SNG activities implemented to promote trade or aid projects have sometimes, albeit coincidentally, produced sideline benefits such as the promotion of tourism, exchange,

friendship activities, and grassroots or NGO activities relating to the environment and energy projects.

Some of these have emerged from the revival of historical and cultural links predating the Second World War (for example links between Kyushu and Dalian, or Kagawa and Shaanxi) and have often hinged on the energies and activities of small groups and key individuals. Not without their tensions, there is nonetheless evidence that they have helped to change attitudes for the better at a time when, at the national level, anti-Japanese and anti-Chinese sentiment is riding high. Takahara (2006) shows, for example, how the activities of the Japanese NGO Green Earth Network in Shanxi province have enhanced cooperation and trust. Japanese NGO activity in China is becoming increasingly widespread and the efforts of these organizations help to combat the otherwise negative images and attitudes revealed in opinion polls or through anti-Japanese protests and demonstrations (Peng, 2006). Thus, according to Jain (2006), the sub-national level 'does not suffer from the kinds of tensions that arise from time to time between the two national governments' (p. 140).

5. CONCLUDING THOUGHTS

The post-Koizumi governments in Japan have worked hard to repair the links with their Chinese counterparts, and the public diplomacy initiatives promise to contribute to an improvement in mutual understanding. As noted above, however, the fabric of Sino-Japanese relations is more densely woven in the twenty-first century than at any other time since the end of the Second World War. This makes the economic aspect of the relationship, and the numerous activities that take place at sub-national level, much less vulnerable to the frequent diplomatic and political crises played out at national level. Interaction between the two sides has also facilitated greater mutual understanding between people in both countries, thus contributing, again at grassroots level, to a less fractious and fragile relationship than we might otherwise perceive to be the case. The tendency to focus attention at leadership level ignores the porosity of state boundaries between China and Japan.¹⁶ While the events of 2006–07 may have represented a new start for the Chinese and Japanese leadership, it was business as usual at the sub-state level.

NOTES

1. This did not prevent Koizumi meeting Chinese Premier Wen Jiabao on the sidelines of regional meetings, however. For example, Koizumi and Wen met informally in

- September 2006 at the ASEM meeting in Helsinki (one month after Koizumi visited the Yasukuni Shrine). See Przystup, October 2006.
2. See Rose (forthcoming) for an evaluation of this.
 3. For a study of a similar use of friendship diplomacy in the 1950s for example, see Rose (2008).
 4. Premier Wen Jiabao had enunciated earlier in 2006 the view that ‘the Japanese leader’, rather than ‘the Japanese people’, was the cause of tension between the two countries. See Przystup, April 2006.
 5. A translation of the October 2006 joint press statement is available at <http://www.mofa.go.jp/region/asia-paci/china/joint0610.html>, and the April 2007 joint press statement at <http://www.mofa.go.jp/region/asia-paci/china/pv0704/joint.html> (both accessed 22 October 2007).
 6. Ibid.
 7. *Beijing Review*, 5 April 2007.
 8. The idea to embark upon such a project grew out of the Asian Solidarity Conference held in Tokyo in June 2001 at which it was agreed to establish an Asian Network for History Education (Rekishi kyōiku Ajia nettowāku). This network subsequently discussed the need to develop a joint Japan–China–Korea history reader which could be used to supplement existing middle school history textbooks in all three countries. The project was launched at a workshop held in Nanjing in 2002, and a group of over 34 academics, teachers and representatives of NGOs met over 11 times to bring the project to fruition. The result of the project was the publication in June 2005 of a history reader published in all three languages which covers East Asian history from the 1850s through to the 1990s, and carries in particular a great deal of information about Japan’s aggressive war in East Asia with details of the Nanjing Massacre, the comfort women system, the use of forced labour, chemical and biological warfare and so on. Chapter 3 of the book is, for example, by far the longest chapter with six sections (70 pages) devoted to Japan’s invasion of Northeast China, the war of aggression, Japanese atrocities, and Chinese and Korean suffering.
 9. There is a longer history of government-initiated joint history projects between Japan and Korea than Japan and China, though they are rarely seen as successful endeavours and have been fraught with difficulties. Similarly, academic-led projects have been hampered by the inability of both scholars to agree on ‘facts’ and interpretations. For an account of the first joint study group established by Japanese and Korean scholars in 1989 see Kimijima (2000). For the full report of the Japan–Korea History Project see <http://www.jkcf.or.jp/history/report3.html>.
 10. *Xinhua*, 10 June 2005.
 11. *Beijing Review*, 23 June 2005.
 12. *South China Morning Post*, 22 March 2003.
 13. *Beijing Review*, 23 June 2005. For reports on the Nanjing and Tokyo conferences held in 2002 and 2003 see the Asian Network for History Education, Japan, available at <http://www.jca.apc.org/asia-net>.
 14. *China Daily*, 20 June 2007.
 15. *China Daily*, 12 June 2007; *People’s Daily Online*, 13 October 2007.
 16. I am grateful to Glenn Hook for this point.

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PART III

Japan and China in the East Asia region

4. Comparing summitry, financial and trade regionalisms in East Asia: from the Japanese perspective

Shintaro Hamanaka

1. INTRODUCTION

The main analytical focus of this chapter is whether preferences of certain states regarding membership of regional frameworks will vary according to the issues at hand. Some may question why this research centres on the membership of a regional framework, which is just one of the various institutional features, others including scope, control/flexibility and the level of centralization (Koremenos et al., 2001). The perspective that a particular membership is 'required' may be helpful in explaining institutions (Mack and Ravenhill, 1995). However, in reality, the membership and other features of institutions are determined or designed endogenously (Snidal, 1994). Moreover, in actual international relations, while the rough idea on the field of cooperation exists from the outset, it is the participants who decide the relevant scope of cooperation.

This chapter argues that there may be a relationship between membership and leadership, in particular with regard to them being different sides of the same coin. When membership of a regional framework is determined, who is likely to hold the leading position in it becomes clearer. What is important is the leading *position*, not the leadership *behaviour* (Young, 1991).¹ Given the fact that membership and the leading position are closely linked, the overarching question of this chapter can be summarized as follows: when a regional framework with a particular membership is likely to enable a certain country to hold the leading position, what kind of response is made by that country and others?

This chapter first analyses a 'preferable' membership with regard to summitry, financial and trade regionalisms in East Asia. It addresses the question concerning who should be included or excluded, with a special reference to the Japanese perspective and to a lesser extent to the Chinese perspective. After addressing the empirical facts on membership

preferences, the chapter's final section attempts to generalize the logic concerning states' behaviour with regard to membership of a regional framework.

2. REGIONAL SUMMITRY

The Koizumi Administration (2001–2006) clearly prioritized foreign policy, as illustrated by its desire to acquire a permanent seat on the UN Security Council. Koizumi's Southeast Asian tour in January 2002 provided a good opportunity for Japan to explain its regionalist policy to the Association of Southeast Asian Nations (ASEAN) countries. Two months beforehand, China proposed a free trade agreement (FTA) with ASEAN by 2010. In Singapore, Koizumi delivered a speech and proposed establishing an East Asian Community.² Taniguchi Makoto, the former Japanese Ambassador to the United Nations, explained regarding this proposal that 'its membership is not limited to APT and includes Australia and New Zealand, and Japan seems to intend to make it more open, considering the US's engagement with it, which could be an issue in the future' (Taniguchi, 2004: 41). Japan later requested ASEAN's support of its East Asian Community proposal in the Japan–ASEAN Special Summit held in December 2003 in Tokyo. The Tokyo Declaration of the Summit confirmed that Japan and ASEAN would cooperate as the basis for an East Asian Community. Tokyo's hosting of the Special Summit, together with the ASEAN Summit held back-to-back with it, was helpful in demonstrating Japan's influence on ASEAN, because it was the first ASEAN Summit held outside ASEAN. As Terada (2004) notes, Japan insisted on hosting the Special Summit in December in Tokyo, even though another Japan–ASEAN Summit was held just two months before in Jakarta. Taniguchi (2004) observes that the Ministry of Foreign Affairs (MOFA) considered the Special Summit as an example of Japan's diplomatic victory over China.

China, in contrast, attempted to strengthen the ASEAN Plus Three (APT) grouping. While China was reluctant to be involved in regionalism until the early 1990s, it has clearly attempted to establish an (East) Asia-only regional group excluding the US.³ In the APT process, however, ASEAN has ownership, and 'Plus Three' countries – China, Japan and South Korea – are treated as 'guests'. This was the reason why China attempted to transform the APT Summit into the East Asia Summit where both ASEAN countries and Northeast Asian countries would participate on an equal footing. Beijing proposed to change the APT Summit to the East Asia Summit (EAS), and expressed its desire to host the first EAS.⁴

What is interesting is the place where such a proposal was made, at the China–ASEAN Foreign Ministers’ Meeting held in June 2004 in Qingdao. The Statement of the China–ASEAN meeting in Qingdao emphasized the importance of the APT framework, stating that ‘the Ministers exchanged views on Asian regional co-operation, East Asia co-operation in particular. Both sides agreed that an East Asian community is a long-term objective for East Asian co-operation to be developed through the existing ASEAN Plus Three mechanism’.⁵

At the APT Foreign Ministers’ Meeting in July 2004 at Jakarta, China officially proposed the upgrade of the APT Summit to the East Asia Summit, without changing the participants. Meanwhile, Japan considered that EAS membership should not be limited to APT countries. MOFA prepared a discussion paper on East Asian cooperation, which pointed out institutional problems with regard to objectives, agendas and membership of the EAS. The section on the ‘Difference between APT Summit and an East Asia Summit’ of the MOFA paper argues:

Will membership differ between the APT Summit and an East Asia Summit? If the membership is different, who will be new members? Will such new membership prejudice the scope of an East Asian Community? If the membership is the same, is there a merit in holding an East Asia Summit? Can we continue to regard APT as the basis of evolution toward an East Asia Summit? (MOFA, 2004: 16–17).

The APT meeting in Jakarta did not reach a consensus about the modality of the EAS.⁶ At the ASEAN Summit in November 2004 at Vientiane, it was agreed that the first EAS would be held in Kuala Lumpur in late 2005, and the decision was subsequently supported by the APT Summit. In Vientiane, while China supported Malaysia’s hosting of the first Summit, it expressed its desire to host the second Summit.⁷ A few months later, the Japanese government hosted the APT Foreign Ministers’ Meeting in May 2005 in Kyoto and tried to confirm the participation of Australia, New Zealand and India in the first EAS.⁸ However, Malaysia – the chosen hosts of the first East Asian Summit – were opposed to this and the proposal was not realized at this point.⁹ In addition, Japan has raised the idea of including the US in the EAS as an observer. The US could only be offered observer status because it had not signed ASEAN’s Treaty of Amity and Co-operation (TAC) – signing the TAC is a precondition for full membership in the EAS, which was set by ASEAN.

The diplomatic competition between Japan and China over the membership problem continued. After the inclusion of non-APT countries in the EAS was decided, China started to assert that the APT Summit, not the EAS, should be the basis of a future East Asian Community. Japan

conversely insisted that the EAS should play an important role with regard to the establishment of an East Asian Community. Japan expected to inhibit the increase in Chinese influence, in association with India and Australia.¹⁰ At the first EAS, Japan successfully inserted the sentence 'the East Asia Summit could play a significant role in community-building in this region' in the Summit's draft statement,¹¹ although it did not mention an East Asian Community at all. Furthermore, the Statement of the East Asian Summit includes the phrase 'participation will be based on the criteria for participation established by ASEAN', this referring to the signing of the TAC. This means that neither Japan nor China could realize a favourable membership without the support of ASEAN.

In the 14 December, 2005 editorial of the *Asahi Shimbun*, the paper criticized the Japanese and Chinese governments over their regional policies, arguing that 'the two parties spent all their energy to reduce the other's influence, and did not discuss which framework, the APT process among 13 countries or the EAS among 16 countries, is more effective', and that 'there is no need to choose either of them, and it can be either 13 or 16, based on the theme of co-operation'. In a similar vein, Cossa et al. (2005) contended that East Asian regionalism should have functionality, not political fixity, and that an ideal East Asian grouping is a kind of 'coalitions of the willing' led by issues (p. 22). However, in reality they argued, the function and issues of a framework are discussed among prospective members of a framework; membership comes first.

The US has been cautious regarding the EAS. On 30 November, 2004, immediately after the decision to hold the first summit in Kuala Lumpur was made, Michael Reiss, the Director of Policy Planning in the State Department, stated in Tokyo that 'The US, as a power in the Western Pacific, has an interest in East Asia. We would be unhappy about any plans to exclude the US from the framework of dialogue and cooperation in this region' (Johnson, 2005). Many US commentators also criticized the government's indifference to Asian affairs. For example, Richard Armitage, who was the Deputy Secretary of State until February 2005, insisted, after leaving office, that the exclusion of the US from an East Asian Community is wrong.¹²

Nevertheless, the US government has not requested membership of the EAS. As mentioned above, this is partly because the US is not satisfied with the observer status and partly because it is not prepared to sign TAC.¹³ Besides these, there is at least one important reason for its decision not to participate in the first EAS. The US could assume influence on an East Asian Community through its allied countries such as Japan and Australia. In fact, it had a close consultation with Japan about the Statement of the Summit.¹⁴ However, one should note that it is uncertain whether this

method is effective or not. When the US realizes its limitation of influencing East Asian states, it may convert its regionalist policy regarding the EAS.

3. REGIONAL FINANCIAL ARRANGEMENTS

In December 1998, the second APT Summit was held in Hanoi. At this event, China proposed establishing the APT Finance Ministers Deputies Meeting (FMDM), the first convening of which occurred in March 1999, and then the first Finance Ministers Meeting (FMM) in the following month held back-to-back with the ADB Annual Meeting in Manila. The third APT Summit held in November 1999 at Manila marked a watershed in the development of financial regionalism in Asia. It adopted the 'Joint Statement on East Asia Co-operation', which emphasized the significance of the enhancement of self-help and support mechanisms in East Asia through the APT framework. In this meeting, China insisted on the significance of strengthening the APT financial process. The Chinese proposal was supported by other participants and it was agreed to regularize the APT's FMM arrangement (Kikuchi, 2001).

Following the discussion among high senior officials of financial authorities of APT countries, the Chiang Mai Initiative (CMI) was agreed at the second APT FMM held in May 2000 in Chiang Mai, Thailand. As Chapter 1 examines, at the core of the CMI arrangement was a region-wide system of bilateral currency swap arrangements (CSAs) among APT countries. In addition, it comprised a series of new regional economic surveillance and policy dialogue mechanisms. Chapter 1 discussed how Japan took the initial lead in advancing the CMI, its progenitor being the 1998 New Miyazawa Initiative (NMI) that consisted of short-term financing facilities of a combined total potential value of US\$15 billion. These aimed to provide liquidity to East Asian countries to avoid balance of payment problems. A further US\$15 billion of long-term facilities funds was included in the NMI made available for the reconstruction of crisis-hit economies.

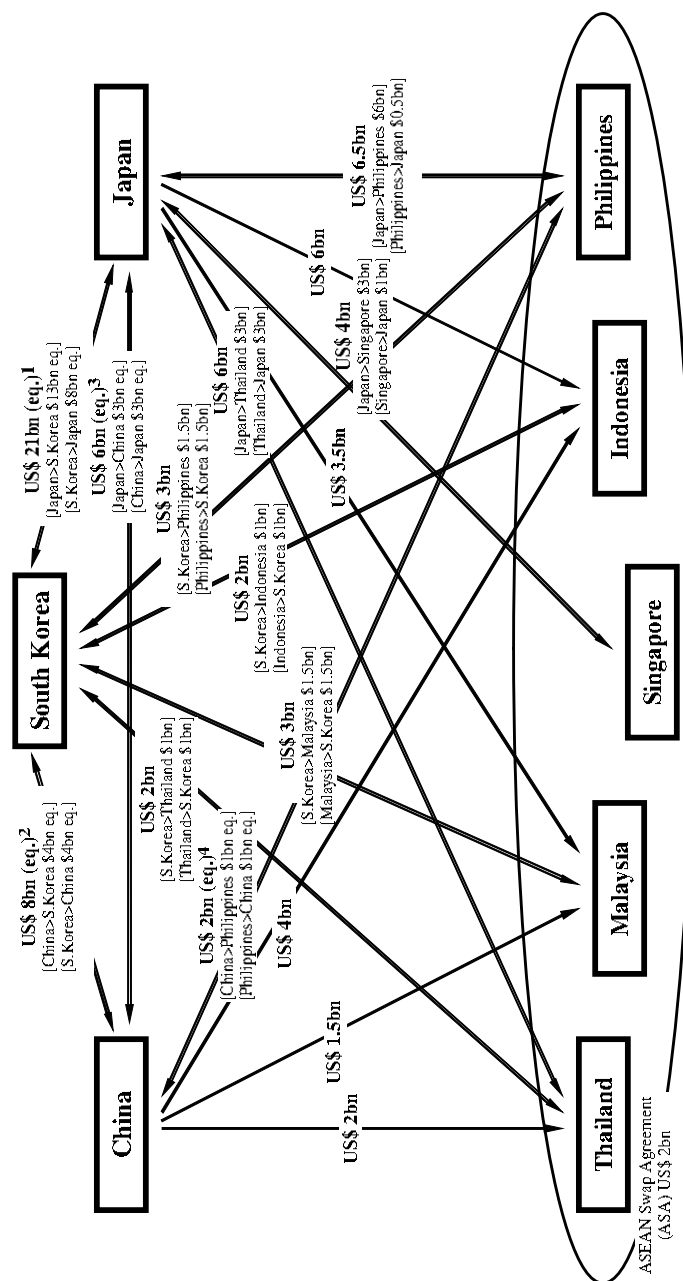
Under the NMI scheme, Japan signed bilateral CSAs with South Korea and Malaysia in January and July 1999 respectively (initially South Korea US\$5 billion and Malaysia US\$2.5 billion valued agreements) then attempted to spread a network of CSAs through the framework of CMI. By May 2002, Japan had concluded agreements with five countries (South Korea, Malaysia, Thailand, the Philippines and China), while China concluded with two countries (Thailand and Japan). Consequently, the APT's FMM was dominated by Japan up to this point, although the process had

itself been initially proposed by China. Furthermore, as ex-Ministry of Finance (MOF) official Sakakibara commented in relation to these developments at the time:

I think that the era of APEC was already over. This is because APEC includes the US. However, APT does not include the US. Regional co-operation including the US is rarely meaningful, because the inclusion of the US is nearly a synonym of global co-operation. The role of such a framework is merely to supplement the ongoing international system owned by the US (Sakakibara, 2001: 16).

By September 2005, the CMI system operated on a US\$54.5 billion total, and by May 2007 this had risen to US\$82.5 billion based on 16 bilateral agreements (Figure 4.1). As originally a series of bilateral currency swap agreements among regional financial authorities, there was no 'one decision' on managing the CMI (Ravenhill, 2002). Third party APT members (that is outside one of the CMI's bilateral agreements) had no voice on whether it should be activated or not. This may change with future plans to multilateralize the CMI system, the intention to do so made at the May 2007 FMM (Dent, 2008). Another important original feature of the CMI was that the US had an effective *de facto* veto over activation of CMI agreements. Originally, only 10 per cent of total facilities of CMI (later raised to 20 per cent at the Eighth APT FMM held in May 2005 at Istanbul) could be disbursed without the approval of the International Monetary Fund (IMF). The US, which has the largest voting power in the IMF, has significant influence on the decisions of the IMF. Thus, it could block the activation of the CMI by, say, opposing or delaying the conclusion of IMF programmes. Some APT countries were opposed to such features of the CMI, especially Malaysia. Although they eventually acquiesced in the IMF linkage in order to avoid the US opposition to the CMI project, this aspect is likely to be reviewed in the planned multilateralization of the scheme, with the possibility of the ratio being significantly raised. How the US will respond to any future complete de-linkage of CMI from the IMF may be crucial to the development of this aspect of East Asian financial regionalism (Henning, 2002).

It is certain that Japan's Ministry of Finance has been in favour of the de-linkage of CMI from IMF. Itō Takatoshi, the former Deputy Vice Finance Minister, argued in 2003 that the 'adjustment' [*chōsei*] of the percentage of IMF linkage is an important question, once the economic surveillance is established (Itō, 2003). He carefully avoided using the word 'increase', but 'adjustment' is nearly a synonym of 'increase' in the context (p. 27). Japan's MOF has also made a significant effort to establish the APT surveillance system, which is essential to avoid the CMI facilities becoming 'easy money' (Zaimushō, 2005). For example, at the APT's FMM held in 2001, it was



Notes: All swaps denominated in US dollars except for: 1. Japanese yen–Korean won currency swap. 2. Chinese yuan–Korean won currency swap. 3. Japanese yen–Chinese yuan currency swap. 4. Chinese yuan–Philippine peso currency swap. These four agreements are denoted in US dollar equivalent (eq.) sums. Total sum of CMI agreements by this time was US\$82.5 billion.

Figure 4.1 Bilateral currency swap agreements under the Chiang Mai Initiative (by May 2007)

agreed to organize a study group to produce a blueprint for an effective economic surveillance mechanism for the operation of CMI. Japan, together with Malaysia, became a chair of the group (Park and Wang, 2005).

A further important factor that contributed to the avoidance of potential frictions between Japan and the US (and some Asian countries) is Japan's maintenance of a low profile after the failure of its AMF proposal of 1997. In 1998, MOF established an Asian Monetary Office (*Ajia Tsūka Shitsu*) that covered the financial crisis-related issues. However, its official English name was International Financial Markets Office, which emphasized the international rather than the regional (Suehiro, 2001). Japan's strong commitment to financial regionalism was thus hidden in a wider international context. Similarly, although it was possible for Japan to insist on the name which implies Japan's large contribution, since the lion's share of the CMI funds were from Japan, the then Finance Minister, Miyazawa Kiichi, decided to give the host country (Thailand) the meeting credit. Accordingly, the project was named the Chiang Mai Initiative (Kuroda, 2004).

China has been supportive of regional dialogue on financial matters, as its proposal of the FMM arrangement suggests. However, it does not seem supportive of independent East Asian financial arrangements. As both Japanese and South Korean officials admitted, it is certain that China insisted on a 100 per cent linkage of the CMI facilities with the IMF (Amyx, 2004b). This means that China in effect opposed East Asian financial arrangements that were independent from the IMF. Amyx emphasizes economic rationality and insists that China was afraid of risking its capital under the CMI scheme, because the CMI lacked effective economic surveillance that would lead to a moral hazard risk for its borrowers. While such an economic argument is plausible, one should not overlook the political aspects. The fact that it is also China that is reluctant to establish economic surveillance systems (Park and Wang, 2005; Amyx, 2004a) implies that non-economic factors came into play. From the Chinese perspective, East Asian financial arrangements without the US mean the domination of Japan. The 'indirect' inclusion of the US in East Asian financial arrangements was best for China, because it can avoid both the US-dominated and Japan-dominated frameworks.

4. REGIONAL TRADE ARRANGEMENTS

Japan was at the forefront of East Asia's new free trade agreement (FTA) trend that took off in the late 1990s. Prior to this, it had been one of the most ardent supporters of trade multilateralism led first through the

General Agreement on Tariffs and Trade (GATT) and then the World Trade Organization (WTO). Japan export-oriented economic development had prospered in an era of progressive international trade liberalization from the 1950s onwards, and was by the mid-1990s the world's only major economy that had not signed an FTA. Indeed, Tokyo was openly disapproving of FTAs at this time. The 1995 edition of the Ministry of International Trade and Industry's (MITI) annually published *White Paper on International Trade* critically analysed the North American Free Trade Agreement (NAFTA) – that had come into effect the year before – on the grounds that it would be inconsistent with GATT stipulations on rules of origin.

However, a combination of factors changed Japan's views on FTAs, primarily the impact of the 1997/98 financial crisis, the fact that other trading competitors such as the EU and US had already signed FTAs, and also the breakdown of talks at the 1999 WTO Ministerial Meeting at Seattle (Dent, 2006). Japan's switch from a pure multilateralist to a multi-track approach to trade liberalization – thus leading to an FTA policy – first emerged in the second half of 1998, this being a relatively sudden shift. In MITI's 1998 *White Paper on International Trade*, priority was placed on the 'steady implementation of WTO rules, and constant surveillance of and counter-measures for protectionist behaviours of foreign countries' (MITI, 1998: 322). Moreover, comments on the global FTA trend were referred to only in negative terms, noting for example how FTAs carried certain 'dangers' like 'discriminatory treatment through sophisticated techniques such as substantial tightening of rules of origin', and the 'substantial increase of trade barriers when expanding the area coverage of an RTA [regional trade agreement]' (MITI, 1998: 142). Later on that year, though, discussions within MITI's International Trade Policy Bureau on regional economic integration resulted in a proposal to explore new FTA policy options. South Korea, Mexico, Singapore and Chile were chosen as Japan's first FTA partners, and moves towards initiating these bilateral projects were made from late 1998 through to late 1999.

MITI's 1999 *White Paper on International Trade* published in May that year marked an important turning point in Japan's trade policy by acknowledging that FTAs could also have positive effects upon the multilateral trading system, for example the provision of new models of rule-making in multilateral forums (MITI, 1999). There remained, however, elements within the Japanese Government that argued for maintaining a multilateral purist approach to trade liberalization and trade agreement diplomacy generally, and hence resisted the development of an FTA policy. Yet these were gradually overcome. Singapore was chosen as Japan's first FTA partner not because it was a close regional partner as such but mainly

because its agricultural trade sector was virtually non-existent. Mexico became Japan's second FTA partner, because Japanese exporters faced disadvantages in the Mexican market vis-à-vis American and European exporters: the US and EU had established FTAs with Mexico. In short, Japan's trade 'regionalist' policy had not been proactive until 2002.

Meanwhile, China was actively pursuing an FTA policy, especially after securing WTO membership in December 2001. In anticipation of WTO accession, China and ASEAN agreed in November 2000 to conduct a joint study of a possible FTA between them. However, ASEAN considered maintaining the balance between China and Japan as important for Southeast Asia's interests. Thai Vice Prime Minister Supachai Panitchpakdi stated after the ASEAN Economic Ministers' Meeting later that month that the formation of similar study groups on FTAs with Japan and South Korea was necessary.¹⁵ Singapore's Prime Minister Goh Chok Tong also expressed the view that forging a trade framework involving not only China but also Japan was preferable, in the meeting with Chinese Premier Zhu Rongji. At the 2000 APT Summit, convened just a couple of days after the ASEAN–China meeting, Thai Prime Minister Chuan Leekpai proposed the idea of establishing an East Asian FTA. Goh, as the chair of the meeting, successfully guided the discussion, and an East Asian FTA became the study item of the East Asian Study Group.¹⁶ A *Nikkei Shimbun* editorial published on 24 November 2000 was of the view that ASEAN had attempted to maintain the same distance from China and Japan by making a counter-proposal vis-à-vis the ASEAN–China FTA. While China initially planned to forge an economic cooperative framework exclusively for ASEAN and itself, it finally accepted the necessity of coordination with Japan.¹⁷ In Japan, however, the dominant perception of the Chinese proposal about the ASEAN–China FTA (ACFTA) was that it was simply an unrealistic idea, and many regarded it just as lip-service, and did not pay sufficient attention thereto, as Taniguchi Makoto (the former MOFA official) admits (Taniguchi, 2004).

In the China–ASEAN Summit of November 2001, leaders of China and ASEAN agreed to establish the ASEAN–China FTA by 2010, and this was embedded within a wider 'framework agreement'. Thereafter, Japanese policy-makers fully realized just how proactive China's trade regionalist policy was, and the perception that Japan was excluded spread. For example, articles with sensationalist titles such as 'China forestalled, and successfully fenced around Asia'¹⁸ and 'Regional economic diplomacy: Concerns of leaving Japan out?'¹⁹ were seen in a number of major Japanese newspapers. The Japanese government's reaction was prompt. Prime Minister Koizumi Junichirō visited Southeast Asia in January 2002 and proposed the Japan–ASEAN Comprehensive Economic Partnership (JACEP). Negotiations on

bilateral FTAs with Thailand, and FTA proposals with the Philippines and Malaysia occurred in mid-2002 (the Japan–Singapore FTA, which was signed in 1999 by Singapore, was concluded during his state tour). The press statement of the Japan–ASEAN Summit in November 2002 stated that, ‘Leaders declared that measures to realize the partnership, including elements of a free-trade area, should be fully implemented as soon as possible within 10 years’. In August 2007, Japan and ASEAN concluded their negotiations on the ‘trade in goods’ element of JACEP, while the ‘trade in services’ element had yet to be concluded.

Given the number of interested parties involved in policy matters concerning trade regionalism, the introduction of ministerial-level perspectives is helpful. Compared to the case of financial regionalism (where MOF and to a lesser degree the Bank of Japan are the main players) and the case of a regional summit (where MOFA is the only main player), more agents are involved in the case of trade, and this is especially true for Japan: at least three ministries, namely MOFA, Ministry of Economy, Trade and Industry (METI) and Ministry of Agriculture, Forestry and Fisheries (MAFF) are involved. We can assume that the views on trade regionalism are significantly diverse. The assessment on JACEP made by each ministry may not be the same.

MAFF maintained a cautious attitude towards Japan’s FTAs, otherwise known as ‘Economic Partnership Agreements’ (EPAs). Due to some sensitive products in Japan’s agricultural sectors, together with sensitive products in ASEAN’s industrial sectors, the negotiations between the two parties were prolonged: they were supposed to be concluded by May 2006. Japan’s position regarding sensitive agricultural imports has been firm, and rice was consequently excluded from the JACEP agreement. In short, MAFF was compliant because it deemed special treatment afforded to agricultural products in JACEP as acceptable.

METI has long been interested in promoting trade or economic regionalism between Japan and ASEAN. This is partly because it would help Japan spread its commercial practices and standards throughout East Asia. It should be noted that JACEP covers not only trade liberalization but also additional economic cooperation and commercial regulation matters, including the harmonization of standards. This is undoubtedly beneficial for Japan, as it helps diffuse Japanese commercial practices further into Southeast Asia. Hatch (2004) asserts that the agenda for Japan, especially for METI, with regard to JACEP is not trade but various economic harmonizations. The reason why Japan always insists on such ‘FTA plus’ arrangements is simply because agreements additional to trade liberalization are of benefit to Japan, which may compensate for the costs of trade liberalization.

While the economic aspects of the Japan–ASEAN EPA were important for MOFA, it can be said that its fundamental concern was geopolitical, namely competition with China. The Ministry's main concern was that future formation of ACFTA would result in greater Chinese influence in Southeast Asia. In order to neutralize the Chinese influence and to maintain its own influence in the region, Japan needed to have an FTA or EPA with ASEAN countries. In short, JACEP brings Japan relatively low economic costs due to its exclusion of agricultural sectors, and potentially significant economic gains and political gains.

Finally, it is interesting to note that modes of competition between Japan and China differ in relation to summitry/financial regionalism and trade regionalism. In the case of summitry and finance, the two countries are competing *within* the aforementioned frameworks of the EAS and APT. In contrast in the case of trade, the rivalry between the two takes the form of competition *between* the frameworks proposed by them, that is ACFTA and JACEP. Why do these differences exist? The reason is simple: neither Japan nor China is interested in the trade regionalism of APT members. This is in sharp contrast with summitry regionalism where China was active in realizing the East Asian Summit, or financial regionalism where Japan was a promoter of financial cooperation among APT members.

The next question is why neither Japan nor China prefers trade regionalism that includes the other. The absence of an APT (that is East Asia) FTA is nearly equal to the absence of an FTA between Japan and China. One may argue that the political frictions between China and Japan that resulted from the Yasukuni Shrine problem are one of the essential reasons.²⁰ The weakness of such an explanation is that the existence of political frictions is a given condition that affects not only trade regionalism but also summitry/financial regionalism. It may still be possible to assert that the frictions became strong enough only *after* the cooperative framework of regional summit and finance among APT members was fixed in the late 1990s, but *before* trade regionalism became active. However, one should note that ACFTA was proposed before Koizumi came to power and the political frictions were not serious at that time. In short, competition *between* the frameworks became certain before the political frictions became significant. Thus, although political frictions between the two could be one of the reasons why the idea of establishing the APT (East Asia) FTA lost momentum, it does not explain why both countries had a strong desire to create a framework excluding the other only in the case of trade.

The essential reason why both Japan and China are reluctant to form an FTA including the other seems to be based on the economic costs entailed. An FTA between Japan and China would bring significant economic

burdens for both. Because of similarity in crops produced between the two countries, China's agricultural products have the potential to completely ruin Japanese farmers, unlike in Southeast Asia, where tropical fruits are the main exports. In 2001, the Japanese government exercised safeguards against *shiitake* mushrooms, *tatami* mats and leeks from China. The main exporters of these products were Chinese farmers technologically assisted by Japanese trade companies and agro-business firms.²¹ This means that China's agricultural products are competitive enough in Japanese markets, as long as their quality is improved by Japanese companies. In a similar vein, an FTA between Japan and China, which is supposed to be based on GATT Article XXIV, would render China unable to establish its own industries, such as the automobile industry. If Japanese automobiles were to be exported to China without tariff, it is very unlikely that Chinese automobiles could compete with them. Accordingly, both JACEP and ACFTA exist while realizing that an East Asian FTA faces difficulties. In short, none behave as the driving force of East Asian trade regionalism, unlike the case of regional summitry or financial regionalism.

5. CONCLUSION

Table 4.1 summarizes the membership preferences of Japan and China. As long as regional summits are concerned, China is the proponent of an East Asia-only group, and Japan welcomes the US engagement and the inclusion of other Asian and Pacific countries in order to block the Chinese attempt. Both countries' membership preference regarding financial regionalism is a reverse to the case of regional summits; Japan prefers an East Asia-only financial group while China welcomes the engagement of the US. In the case of trade, both Japan and China maintain a negative attitude towards the formation of a pan-East Asian group that includes the other.

The above mentioned behaviours outlined in Table 4.1 suggest four interesting theoretical implications regarding regionalism. First, the preferred membership by a certain country depends on the issue. The preferred membership of a regional framework on a certain issue also varies from country to country. As a result, for example, members included in East Asian regionalism are not always the same. The geographical scope and participants of a regional framework are not given. Thus, when a certain country is not included in a regional framework, this does not mean that the country is not a regional country, it is rather relevant to consider that the decision not to include the country was made.

Second, a country that proposes a regional framework with a limited membership, attempting to hold the leading position in it, tries to avoid

Table 4.1 Membership preferences of Japan and China

	Japan	China
Summit	Opponent of pan-East Asian regionalism (propose the US inclusion)	Proponent of pan-East Asian regionalism
Finance	Proponent of pan-East Asian regionalism	Opponent of pan-East Asian regionalism (propose the US inclusion)
Trade	Opponent of pan-East Asian regionalism (propose Japan–ASEAN framework)	Opponent of pan-East Asian regionalism (propose China–ASEAN framework)

the inclusion of a more powerful country in the framework that could deprive it of the leading position. In the context of this study, China, in the case of regional summitry framework, and Japan, in the case of regional financial framework, fall into this type of behaviour. This implies that holding the leading position in summitry or financial regionalism is beneficial.

Third, when a certain country (Country A) faces a proposal on establishing a regional framework that is likely to enable an unfavourable country (Country B) to hold the leading position, Country A has an incentive to include a favourable and more powerful country (Country C) that could deprive Country B of the leading position. In the context of this study, Japan, in the case of regional summitry framework, and China, in the case of regional financial framework, fall into this type of behaviour.

Finally, a regionalist project that has no strong advocate faces difficulties to be realized. In the context of this study, pan-East Asian trade regionalism, where neither Japan nor China holds strong interest, is an example of this. This implies either that holding the leading position in trade regionalism does not bring large benefits or that it entails large costs, compared with the case of summitry or finance where Japan or China attempts to hold the leading position. The cost–benefit structure varies from trade regionalism to finance and summitry regionalism, and this is one of the reasons why the modalities of regionalism are different across issues.

It is relevant to consider that the four points above are ‘rough sketches’ of state behaviour in terms of membership, based on empirical observations in this chapter, rather than established theories regarding regionalism. The attempts to theorize regionalism in this chapter are still very preliminary. Assessing the explanatory power of these conjectures, based on

more rigid empirical evidence, is an important future research agenda for understanding East Asian regionalism and regionalism in general more profoundly.

NOTES

1. Young (1991) differentiates three types of leadership behavior: entrepreneurial leadership, intellectual leadership and structural leadership. The concept of structural leadership, which is useful in translating the position of material resources into bargaining leverage, links the concept of leading position and leadership behavior.
2. The English version of the speech is available at: <http://www.mofa.go.jp/region/asia/paci/pmv0201/speech.html> (1 September 2006).
3. *Beijing Review*, 29 December 2005.
4. *Asahi Shimbun*, 24 June 2004.
5. The statement is available at: <http://www.aseansec.org/16167.htm> '1 September 2006'.
6. *Asahi Shimbun*, 2 July 2004.
7. *Mainichi Shimbun*, 30 November 2004.
8. At the ASEAN Foreign Ministers' Meeting (AMM) in Manila in April 2005, India's participation was agreed. But that of Australia and New Zealand was not (*Asahi Shimbun*, 12 April 2005).
9. *Sankei Shimbun*, 7 May 2005.
10. *Asahi Shimbun*, 8 December 2005.
11. Available at: <http://www.aseansec.org/18098.htm>.
12. *Asahi Shimbun*, 1 May 2005.
13. Christopher Hill, US Assistant Secretary of State, expressed the strong interests of the United States to participate in the East Asia Summit in a March 2006 press conference, insisting 'we want to be a part of the emerging and evolving architecture of East Asia'. See: <http://manila.usembassy.gov/www/whr/738.html> (1 September 2006).
14. *Asahi Shimbun*, 15 December 2005.
15. *Nikkei Shimbun*, 25 November 2000.
16. This study group was proposed by South Korea to examine the possibility of holding an East Asian Summit (see Chapter 12).
17. *Nikkei Shimbun*, 25 November 2000.
18. *Yomiuri Shimbun*, 7 November 2001.
19. *Nikkei Shimbun*, 6 November 2001.
20. Due to the strong opposition from China after Nakasone's visit to the Yasukuni Shrine on 15 August 1985, the Chief Cabinet Secretary of the Nakasone administration, Gotōda Masaharu, released the document on 14 August, 1986 in which he stated that the Prime Minister decided not to visit the Shrine on 15 August. Immediately after assuming office in 2001, Koizumi insisted that he would visit the Shrine on 15 August regardless of the opposition from other countries. Koizumi visited the Yasukuni Shrine every year, as he declared he would immediately after assuming office.
21. *Nikkei Shimbun*, 15 April 2001.

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5. China's place in East Asia

Steve Tsang

1. INTRODUCTION

The spectacular rise of China in the last decade raises the question of where China's 'rightful' place is in the world in general and in East Asia in particular. When Chiang Kai-shek led China to victory against Japan in 1945 he was satisfied that China had secured a place as one of the five great powers holding a permanent seat at the Security Council of the United Nations. For him China had found its rightful place in the new world order. Four years later, as Mao Zedong drove Chiang out of the mainland of China and led the Communists to power he had a much grander ambition. He intended to restore China to the pre-eminent position it enjoyed for much of the previous two millennia, even if this required working within and making use of the Soviet bloc (Tsang, 2006a).

The legacies of the 'century of humiliation' have been since then largely if not completely eliminated.¹ This applied particularly after the product of the Chinese Empire's first humiliating defeat by the West, the Crown Colony of Hong Kong, was returned to Chinese sovereignty in 1997. Nevertheless, the Chinese government has not completely removed the psychological complex associated with its view of modern history. The legacy of a 'victim mentality' is still discernible in China.² This notwithstanding, whether Mao's grandiose ambition remains alive today is debatable. China and its leadership's assessment of the world have undergone significant changes following the generational succession in leadership after Mao's death over a quarter of a century ago. As 'fourth generation' leader Hu Jintao steers China in pursuit of a 'peaceful rise' there is no longer a simple and authoritative answer to the question of where the Chinese leadership sees as China's 'rightful place' in the world and in the East Asia region. Much depends on how China handles its own rise and how the rest of the world deals with the challenges posed by the emergence of this new Great Power, one identified by the United States Government as having the greatest potential to challenge US might (US Office of the Secretary of Defence, 2007).

This chapter seeks to examine the strategic thinking behind China's policy of rising peacefully, and what the Chinese government sees as the

appropriate role for it to play in the region. In so doing I shall highlight the central importance of the domestic priority in promoting rapid economic development and the external priority of securing Taiwan as a Chinese territory. While China is determined to rise, it is not in a hurry to assert itself. Its priority is to build up its 'comprehensive national strength' until it feels confident to claim its 'rightful place' in the world. In this process China is focused first and foremost upon its neighbourhood, though China's ultimate ambitions and visions are global rather than regional. When China finally feels that it is in a position to assert itself, it will seek to resolve the Taiwan issue. From the Chinese perspective, Taiwan represents a legacy of American imperial intervention from an early era, one that must be resolved to its satisfaction before it can occupy its 'rightful place' in the world. Its resolution is therefore inherent in the process of China's rise. At the end of this chapter I shall highlight the leadership role that China is likely to choose to play in East Asia in the foreseeable future.

2. THE STRATEGY OF PEACEFUL RISE

Observe carefully, secure our position, handle the rest of the world calmly, bide our time, perfect hiding our capacities, and desist from claiming leadership. 'Deng Xiaoping'³

The policy of a 'peaceful rise' is generally attributed to Zheng Bijian who worked with Hu Jintao in the Central Party School when Hu was head of the School. Zheng was credited with giving this new policy international prominence by introducing it as a new concept in international relations at the Asia Forum in Bo'ao in November 2003 (Suettinger, 2004). On this occasion, Zheng (2007) stressed that in a quarter century of reform China had found its own way to build a socialist country with Chinese characteristics in the context of globalization. He elaborated on what this policy entailed:

- China getting actively and economically involved in the globalization process, but doing so on its own terms and on the basis of its own capacities.
- At the same time it entails China relying on domestic institutional innovations, industrial restructuring, developing domestic markets, transforming high savings into investment capital, and improving the quality of the workforce to overcome the limitations imposed by resources and other circumstantial problems.
- The use of force or the seeking of hegemony to be avoided to enable China to rise on the basis of the above two points.

This was a statement by an increasingly confident and assertive China to reassure its neighbours that it would continue to focus its attention domestically but would also play a constructive role in the East Asia region, in line with its positive contribution during the Asian Financial Crisis, as its newly enhanced 'comprehensive national strength' becomes increasingly noticeable and difficult to hide. Although this policy articulated by Zheng was subsequently modified, first to 'peaceful development' and more recently to the promotion of a 'harmonious world', its essence has not been changed. It remains first and foremost a policy devised for consumption outside of China, to reassure China's neighbours and the rest of the world that the recent and forthcoming spectacular achievements in China will not be threatening to them (Yan, 2004). The remodelling of the 'peaceful rise' idea to that eventually of promoting a 'harmonious world' represents a fine-tuning of the language to make this process and prospect appear even less threatening.

While the rhetoric of a 'harmonious world' does not imply that China's eventual rise, when achieved, will continue to deliver peace rather than competition, rivalries or instability and conflicts, it does not necessarily mean it is part of a sinister plot either. China is in the process of rising, and this has been happening at a rate faster than any Chinese studies scholar or, for that matter, Chinese leader had predicted a decade or two ago, but it will still be a few decades before China can rise sufficiently to match the might of the world's sole superpower, the United States. What the Chinese government of the day will then do cannot be predicted with any degree of certainty today. In all probability, if and when this stage is reached, China will be governed by a different 'generation' of leaders who may not inherit in full the current leadership's view of the world, even though the existing Leninist political system will probably remain. Indeed, whether China will ever get to such a position, in contrast to being in a position to challenge the US asymmetrically and on specific issues, is not a foregone conclusion.

To understand China's strategic thinking behind this policy of 'peaceful rise', one needs to go beyond the torrent of rhetoric that followed Zheng Bijian's Bo'ao statement. What Zheng and others, including Hu Jintao, say is meant to encourage the rest of the world to see China's rise in the light the Chinese government would like. It is not intended to explain the real thinking behind the words. To understand that one needs to go back to the so-called 24 words strategy attributed to Deng Xiaoping who spoke of it in the late 1980s, and quoted in full at the beginning of this section. What has been attributed to Deng as a strategy is meant as a guide for action to ensure China can and will become a genuine Great Power on its own terms and without being interrupted by attracting too much unwanted attention and thus negative reactions from the rest of the world while it rises. As

Deng told the President of Bangladesh in 1987, China would need 'at least 70 years of peace' to put it in a position to prevail against all challenges, including a third world war. This underlays the importance Deng put on 'biding time' and making the most of it without provoking others to try to pre-empt China's rise. Both elements are equally important to Deng, as they remain for the current leadership. The policy of 'peaceful rise' is meant above all to ensure that a benign international environment exists so that China can focus on developing itself into a modern great power and under the uninterrupted leadership of the Communist Party.

Although intended primarily for foreign consumption, the advocacy of a 'peaceful rise' strategy or a policy to promote a 'harmonious world' is also needed to elicit public support for this policy domestically. With communism collapsed as a state ideology by the beginning of the 1990s, nationalism has filled the void and emerged as a dominant ideological force in Chinese society (Zheng, 1999). The greater degree of relaxation since the start of the reform period in 1978 also meant that public opinions, particularly expressed in the language of nationalism, are no longer irrelevant in China (He, 2007). The advent of a more prosperous, self-confident, proud and nationalistic population better informed of international news through the steadily improving Chinese media and the Internet, has generated a public expectation, if not a demand, for the Chinese government to take a more assertive role in key external policy matters (Shirk, 2007a). The reality that China was in the process of rising has led some in China to think that their country has already risen sufficiently to demand greater attention and respect from the rest of the world. To ensure that this new assertiveness among certain quarters of Chinese society will not upset the strategy of a 'peaceful rise', the Chinese government has to tolerate and direct debates on this subject within China to flow in a direction it deems constructive.

What the Chinese government is following is a strategy to build up China's 'comprehensive national strength' and consolidate the position of the Communist Party at the same time. The rise of China in this conception is not primarily about building up China's military capabilities, despite the impressive progress its military forces have made in recent years.⁴ It is about building up China's economic, political, military and soft power at the same time. The Chinese leadership is mindful that the arms race between the US and the Soviet Union contributed greatly to the latter's demise, and is determined not to allow China to make essentially the same error the Soviet Union committed. Given that the Chinese leadership sees a need for China to take a matter of decades to reach its desired stage of development, its commitment to a peaceful process for China's rise in the meantime is real. The sincerity of the Chinese leadership on this matter

parallels its commitment to allow Hong Kong to retain its own capitalist system and way of life for 50 years prior to retrocession (Tsang, 1997). As Deng said of the latter, since China's development strategy required Hong Kong to flourish it could not afford to change the status quo in Hong Kong. The securing of peace as China rises is indeed the key to China's development strategy now and in the foreseeable future.

3. CHINA AS A NEIGHBOUR

In its long-standing strategic vision China takes a global rather than a regional view of the world. Indeed, the concept of Asia, in contrast to the rest of the world outside of the Celestial Empire, was imported to China as European imperialists prised open the gate of the Chinese Empire in the nineteenth century. Previously the dominant worldview in China focused on itself as the civilization and the rest of the world as lands of barbarians of different colours and creeds (Tsang, 2005a). This historic worldview notwithstanding, the Chinese government today actually gives priority to handling relations with the East Asia region in its foreign policy. Indeed, its approach to external relations has been rightly characterized in the following terms: it recognizes the surrounding region as a matter of primary importance, treats the great powers as the key players, ensures the developing world forms the foundation of support, and uses multilateralism as the platform to conduct foreign policy.

Given that China's top priority at present is to sustain rapid growth and development in order to strengthen its 'comprehensive national strength' it has a strong vested interest in maintaining peace, stability, order and prosperity in its own surrounding area. This, however, does not imply China is ready and willing to play a leadership role in East Asia. Deng's dictum that China should 'desist from claiming leadership' still applies. As Deng explained, China must not seek a leadership role politically as 'it did not have enough capacity' to do so, and because playing a leadership role 'would bring no tangible benefits', and 'it would even reduce its scope to take initiatives'.⁵ Thus, the only leading role that China should seek was to 'push actively for the establishment of a new political-economic international order'⁶ – something vital to China's own rapid development. In other words in East Asia, as in the rest of the world, China's primary foreign policy objective is to secure an international environment to assist its economic modernization and not get distracted by other countries' problems.

Another key consideration further requires China to resist the temptation to play a leadership role in the region. It is the need to avoid provoking Japan to respond competitively, and the other East Asian states to feel

so insecure that they would actively seek the US to take a stronger interest and play a more active role in the region. Within East Asia the country that is most important to China's development and foreign policy is Japan.⁷ Their relationship is also the most complex and complicated. They are the two powers best placed to take on a leadership role in the region but they are also highly distrustful of each other. Geography has put two countries that have the capacity to develop into great powers as close neighbours, while their respective treatment of modern history ensured mutual distrust and latent hostility from the Chinese side.

Among the ordinary Chinese or, for that matter, members and leaders of the Communist Party, few are aware that Mao Zedong had repeatedly told Japanese visitors in the 1950s and 1960s that, 'it was because the Japanese Imperial Army had occupied most of China . . . that it created the conditions for our victory in the liberation war . . . and for which I would like to thank the Japanese militarists'.⁸ Even though the document from which this quotation is taken is now available on the Internet, it is excluded even in the multi-volume collection of Mao's writings, speeches, instructions, notes and records of meetings published for internal (*neibu*) circulation within the Party, known as *Jianguo Yilai Mao Zedong Wengao*. On the contrary, the Chinese have long been taught the Communist Party approved version of modern history, which is popularized by the media, and they are still deeply resentful of Japan for its twentieth century attacks on and occupation of China and Taiwan (Shirk, 2007b).

While the Chinese government had made the most in public propaganda of former Japanese Prime Minister Junichirō Koizumi's visit to the Yasukuni Shrine and distortions in a tiny fraction of Japanese history textbooks, the poor state of relationship thus resulted did not work in China's long-term interest. Although it is China's policy to desist from taking on a leadership role in East Asia in the foreseeable future, its basic interest also requires Japan not to do so or strengthen further Japan's close security ties with the US. As long as the Japanese adhere to Article Nine of their Constitution and refrain from turning Japan into a 'normal' country with normal security and diplomatic aspirations, China faces no competition for regional leadership and can afford not to lay claim to it.

Long-term tension between Japan and China that goes beyond the Koizumi administration provides a basis for the Japanese right wing to advocate for a more assertive Japan. Right-winger Shinzō Abe's succeeding Koizumi as the Japanese Prime Minister in September 2006 thus provided tremendous incentive to the Chinese government to seek a rapprochement – in addition to the fact that China is highly economically dependent on Japan as a trading partner and a source of investment and technology. A good relationship with Japan, at least to the extent that it will

ease Japanese concern over China's own rise, is therefore highly prized for the Chinese leadership. This does not, however, remove the unease among many Chinese that 'structural conflicts exist in China's strategic relationships with the United States and Japan' (Yan, 2006: 15). Those who take this view, such as Yan (2006), believe that 'if China's economic power status replaces that of Japan, Japan may confront China politically' and may 'take several measures to protect its existing international status by strengthening its political and military power' (pp. 14–15). This presence of such an underlying concern among Chinese scholars and officials does not undermine the policy of not seeking a leadership role in the region. On the contrary, it underlines its importance as it is in China's interest to rise to genuine great power status without provoking unwanted Japanese reactions.

With regard to its neighbours in Southeast Asia, China is aware of their concern inherent in seeing the historic paramount power of the region re-emerging as the world's leading rising power. Most of China's smaller neighbours are concerned about China's impressive military build-up and have doubts over the longer-term ambitions of China, particularly once the Taiwan issue is resolved.⁹ China's relatively recent conflicts with Vietnam and territorial disputes in the South China Sea are issues that can potentially make China's relations with some of its Southeast Asian neighbours difficult. The Chinese government sought to sidetrack them by following one of Deng's other dictums – use multilateralism as the main platform of diplomacy.

This underlines the Chinese government's willingness and even preference to deal with Southeast Asia through the Association of Southeast Asian Nations (ASEAN). The latter is by its very nature an alliance of the weak in a world of Great Power politics. Working under the umbrella of ASEAN strengthens the bargaining position and self-confidence of its individual members. It thus suits both sides that ASEAN should be used as the main platform for dealing with matters of regional interest in East Asia as a whole. From the Chinese perspective, reassuring members of ASEAN by working with this regional organization readily has two key advantages. By maintaining a multilateral framework for diplomacy, security and stability in part of East Asia it removes the need for any of the more powerful countries in the region to play a leadership role, and makes it more difficult for members of ASEAN to justify asking the US to maintain a large military footprint in East Asia.

Where the Chinese cannot afford to take no action, as is the case over tension in Northeast Asia centred on the North Korean nuclear weapons programme, they do get actively involved but still refrain from playing a leading role. The stakes for the Chinese are high, as an American

pre-emptive strike against North Korean facilities could trigger an escalation that can potentially gravely destabilize the region. It may, at least in principle, require the Chinese to review its treaty commitment to help North Korea to defend itself against 'American aggression'. Apart from the Koreans, and perhaps the US, China will be more affected by either a military confrontation in the peninsula or, for that matter, an implosion of North Korea.

There is no question that the Chinese government would have preferred North Korea not to develop nuclear weapons. However, after the nuclear weapons issue came up in October 2002 the Chinese government limited its role mainly to hosting the Six Party Talks and facilitating the key protagonists, the North Koreans and the Americans, to talk in this multilateral framework (see Chapter 12). As important and positive a contribution the Chinese government had made in keeping the North Koreans at the negotiating table, it did not actively broker an arrangement to end the confrontation or to stop the North Koreans from pursuing their weapons programme while the talks dragged on for over three years.¹⁰ There was, for example, no Chinese attempt at shuttle diplomacy between the Americans and the North Koreans in parallel to the Six Party Talks. Such an additional intervention could have enabled the two chief protagonists to ascertain more clearly what common ground they could find to form the basis of an agreement that could then be discussed at the Six Party Talks. Indeed, the breakthrough that eventually enabled the US and North Korea to find a basis to reach a tentative agreement was made when the chief US negotiator, Christopher Hill, met with his North Korean counterpart Kim Kye-gwan in Berlin in January 2007. The critical issues were that these were the first bilateral talks between the Americans and the North Koreans, and they took place outside of Beijing. It was the result not of a Chinese but an American initiative.¹¹

In other words China prefers to take a low-key approach and avoid playing a leadership role in East Asia, as long as no other power either asserts regional leadership or tries to establish regional hegemony. The Chinese would like to see the US reduce its military footprint in the region but not to withdraw from it completely in the foreseeable future, as a full American withdrawal will upset the delicate balance in the region and produce uncertainty or even instability. China's preferred role for itself in East Asia is that of a good neighbour whose good intentions and readiness to contribute positively, as it did during the 1997–8 East Asian financial crisis, are generously recognized and appreciated by others. The Chinese government does not seek a leadership role in East Asia but likes the reality that its enormous presence induces its neighbours to give it the respect that it believes is its due. As to the government's intentions after China has

eventually risen up, it is an issue that will remain academic until 'the Taiwan issue' is resolved.

4 THE CENTRAL IMPORTANCE OF TAIWAN

Japan may be the most significant country in East Asia for Chinese diplomacy yet it is Taiwan that is of central importance to the Chinese government in the region. This is not so much a matter of the economic value of Taiwan to China as it is the significance of Taiwan embedded in the thinking of the Communist Party. When China finally feels that it is ready to assert its 'rightful place' in the world, it will inevitably do so with reference to its historical experience. Since China was the premier power insofar as communication technologies of the time could reach until the nineteenth century, and Taiwan is seen as the last major legacy of 'the century of humiliation' imposed by Western imperial powers, China cannot really feel that it has asserted its 'rightful place' until it can resolve the Taiwan issue to its satisfaction. Indeed, the Chinese government under the Communist Party has over half a century transformed the issue of Taiwan from being the last redoubt of the remnant Chiang Kai-shek regime into a matter whose mishandling can gravely undermine the position of the top leader. Some prominent observers, such as Yan (2006), even go further and see this as one that can cause national disintegration. Taiwan is also the focal point of China's security and external policy, as the methodology that guides Chinese foreign policy formulation usually requires it to stay highly focused on one primary enemy at any one time.

The Chinese case that Taiwan is an integral part of China is in fact very weak on the grounds of history and international law. Before Taiwan became a Japanese colony in 1895, Taiwan had only been a province of China for the ten preceding years, though it had been a frontier region of the Chinese (or strictly speaking Manchu) Empire as a sub-unit of Fujian province for two centuries. China's cession of Taiwan to the Japanese 'in perpetuity' was generally accepted in China until its wartime leader Chiang Kai-shek challenged this successfully in the Cairo Conference of 1943. More pertinently, it was also embraced by the Communist Party including its legendary leader Mao Zedong.¹² Indeed, Mao put Taiwan in the same category as Korea, a former 'colony' of the Chinese Empire in the 1930s, and stressed that it was the Chinese Communist Party's policy to help them secure independence from the Japanese Empire (Snow, 1961).¹³ Although the Chinese Army under Chiang occupied Taiwan after Japan surrendered in 1945, this happened as part of the Allied occupation, and the status of Taiwan, still a Japanese colony, was not altered. In the meantime Chiang

had been driven out of the Chinese mainland by the Communists in 1949 though his forces held on to Taiwan and maintained the rump of the Republic of China government, which survives until today. In the peace treaties that Japan signed with the Allied Powers (San Francisco Treaty of 1951) and with the Republic of China (which Japan recognized as representing China at the time, in 1952), Japan merely renounced its sovereignty over Taiwan. It did not pass on Taiwan's sovereignty to any country specifically (Chiu, 1979). Japan's act rendered Taiwan's legal position *res nullius*, meaning Taiwan became technically ownerless, since sovereignty renounced by one power could not automatically revert back to the previous sovereign.¹⁴

Once this point was reached, sovereignty over Taiwan had to be acquired. The Republic of China government's continuous and effective occupation and administration of Taiwan thus provides it with a justifiable basis to assert its sovereignty. This cannot apply to the People's Republic of China government that has never exercised jurisdiction over Taiwan. Any claim it may make on the grounds that it is the successor state to the Republic of China is dubious since it has never extinguished and taken over the Republic of China located in Taiwan itself. As to China's claim on the basis of culture and ancestry, Brown (2004) has provided a cogent case that they 'are not what ultimately unite an ethnic group or nation' and are therefore irrelevant.

Whatever the validity of the Chinese government's claim over Taiwan, its interpretation of the chain of events that led to the latter's effective long-term separation from the Chinese mainland changed the nature of the issue at hand. The prospect of a successful conclusion of the Chinese Civil War by the Communist Party ended when American President Harry Truman ordered the US Navy to 'neutralize' the Taiwan Strait after the Korean War started in June 1950 (Tucker, 1994). This decision was taken to prevent the Korean War from spreading into a third world war – not to interfere in Chinese domestic affairs (Truman, 1956). However, Chinese Premier Zhou Enlai responded: 'No matter what methods the American imperialists may use to intervene, the fact that Taiwan belongs to China can never be changed'.¹⁵

This marked the beginning of over half a century of frequently repeated public commitments by the Communist Party to recover Taiwan. This also involved indoctrinating members of the Party, including the current generation of leaders who did not witness as adults the complete reversal of the Party's position on Taiwan's status. As a result, as Bush (2005) observed, 'Chinese officials today persist in their belief that the United States blocked unification in 1950 when in fact the responsibility should be laid at North Korea's door' (p. 204). They believe passionately that the need to bring

Taiwan back to the fold of mother China or at least prevent it from gaining *de jure* independence is a 'sacred' mission of the Communist Party.

Indeed the generational succession in China's leadership and the transformation of China from a totalitarian state largely dominated by one man, Mao, into an authoritarian system run by a collective leadership headed by a top, but not paramount, leader meant the top leader has little room to be flexible over Taiwan. In the 1950s Mao was able to provoke two crises over Taiwan, take China to the brink of a nuclear war, and then reverse himself without weakening his position within the Communist Party or China (Christiansen, 1996; Tsang, 2006a). It was an act that even Deng Xiaoping would not dare to attempt when he was indisputably paramount leader. The capacity of China's top leader to dominate politics declined further as the generations of revolutionary veterans handed over to the third and fourth generation leaders who came from technocratic backgrounds.

As to the fourth generation leader, Hu Jintao, his own political survival requires him not to make a blunder over an emotional and vital policy matter like Taiwan. Hu's awareness of this predicament and his astuteness probably explain why he quickly shifted the policy priority over Taiwan after he took over power from Jiang Zemin. Right until the last moment that he held the top office as Party General Secretary, Jiang stood by the hard-line position that 'the Taiwan question must not be allowed to drag on indefinitely'.¹⁶ Hu, in contrast, moved cautiously but adroitly to untie his administration from this straightjacket of an implied though undefined timetable for unification. He sought to give himself more room to manoeuvre and make his own position less vulnerable. Under Hu, China's top priority towards Taiwan has been shifted from pressing for unification to preventing Taiwan from seeking *de jure* independence. This was confirmed in the Defence White Paper of 2004, in which the Chinese government stressed 'the biggest immediate' issue was to prevent Taiwanese independence while it left out any reference to any timeframe for unification.¹⁷ It does not imply Hu is less committed than Jiang to reunification eventually but it does imply he prefers to keep a greater degree of flexibility in his own hands.

China's apparently obsessive focus on Taiwan also reflects the effect the concept of the United Front has on its policy-makers. The United Front is not a policy but the basic methodology that governs the making of China's foreign policy. In the simplest terms, the United Front requires the Chinese Communist Party to identify a principal enemy, its supporters outside the Party, and the intermediate zone full of 'wavering elements' that can be won over by either the Party or its principal enemy. The Party's task is to destroy the principal enemy, which requires the Chinese Government to work hard to win over the intermediate zone and isolate the principal enemy. Once this

has been accomplished, the Party will move on and identify from the intermediate zone a new principal enemy. This will become the target of focused attack in this new stage until it too is destroyed. The process is to be repeated until all in the intermediate zone have come under Chinese leadership. From the Communist Party's perspective, in the context of the current world scene, Taiwan and the support it enjoys from the US, which is vital for its continued existence as a state *de facto*, is the principal contradiction that forms the focus of the United Front. Following this methodology, Taiwan is the single most important issue for the Chinese government in East Asia.

Given that the Communist Party's top priorities are rapid development, strengthening the capacity of the Party to stay in power, and the build-up of China's 'comprehensive national strength', its short- to medium-term interest will not be served by a military confrontation over Taiwan. Its preferred solution over Taiwan is peaceful reunification by the adoption of the 'one country, two systems' formula already applied in Hong Kong.¹⁸ However, this is a prospect completely unacceptable to the government and people in Taiwan. A solution acceptable to both China and Taiwan is not in sight.¹⁹ Whether China will use force against Taiwan 'will be based on a mixture of factors, including hard-nosed realist cost-benefit calculations, as well as coloured assessments distorted by elements of nationalism and moral righteousness' (Tsang, 2006b: 1).

With Taiwan being a matter of central importance to China, the bulk of China's military build-up remains focused on a conflict over Taiwan that may involve the US, even though the Chinese armed forces are also expanding their capabilities to operate beyond China's own boundaries, including particularly their efforts to deploy a blue water navy. This military build-up need not, however, cause major concern for countries in East Asia excepting Japan, as China sees its own interest in not using force in the region until it has the Taiwan issue resolved. Japan stands out as it has made a defence commitment to the US to come to the latter's assistance should the US find itself involved in a conflict with China over Taiwan.

China's intention not to use its rapidly modernizing and expanding military capabilities except over Taiwan when it deems unavoidable notwithstanding their dramatic improvements, will have an impact on China's standing and influence in East Asia. One should bear in mind that soft power or the more traditional concept of diplomatic persuasion is most effective if it is backed up by the availability of hard power. China's expanding military capabilities serve this purpose, and its effectiveness is reinforced by China's adoption of a peaceful rise strategy. What does keep Chinese ambition in check is the impasse over Taiwan, as it will ensure China sees the need to adhere to its commitment of a peaceful rise in the region, except

regarding Taiwan, over which it will not give up the threat or the option to use force.

5. CONCLUDING OBSERVATIONS

The central importance of Taiwan in China's strategic thinking about East Asia partly reflects the effect of over half a century of self-indoctrination but it is also because Taiwan is intricately linked to China's relations with the US, by far the most important country that may stand in the way of China's rise. The Communist Party's belief that the US was responsible for the existence of the Taiwan problem adds an emotional element to the complex strategic issues and competition inherent in the relationship between the current dominant power and a new rising power. As long as the US continues to uphold the status quo across the Taiwan Strait, China is unlikely to force the issue, until China deems itself to have finally risen. There is no clear definition of what the latter means, however. The real indication of when China feels that it has risen may well find expression in a move to seek a resolution of the Taiwan issue on its own terms.

This does not necessarily imply that China plans or wishes to go to war with the US, though even a carefully calibrated attempt to threaten Taiwan and deter American intervention may end up in escalation that nobody wants – and one about which the outcome cannot be predicted at present, except that it will be a huge catastrophe.²⁰ Barring unexpected events, such as the government of Taiwan formally asserting *de jure* independence or Beijing acting on a monumental misjudgement that an American administration suffering from a kind of 'post-Iraq syndrome' would not interfere should it use force to coerce Taiwan to accept unification, or some other major miscalculation, China can be expected to bide its time over Taiwan. This self-restraint is likely to last until China feels it clearly has the capabilities and credibility to deter the US from military intervention. If and when China's basic policy objective over Taiwan is then resolved to its satisfaction it is likely to have involved the US being required or persuaded to back down from its long-standing support for Taiwan and the status quo across the Taiwan Strait. This will have implied China successfully asserting itself as the premier state within East Asia.

In such a scenario, which leadership role China would like to play in East Asia will be a moot point. China will be the undisputed leader in the region with wider implications for its standing in the international community. However, the prospect of a successful resolution of the Taiwan issue remains a distant one. The real issues at hand are what, if any, leadership role China is likely to take on in East Asia in the foreseeable future, and whether this is

susceptible to influence by others. Since Chinese policy-makers operate largely on the United Front approach, it is difficult to predict precisely what they are currently planning to do once the Taiwan issue is resolved to their satisfaction in the very long term. Be that as it may, it is reasonable to assume that they would still like to assert China's 'rightful place' as they see fit in the world. Since the Chinese government believes it had not been allowed to make due input when the current international order was forged at the end of the Second World War, it is not committed to upholding it in the very long term.²¹ However, the current leaders of China do not have a sense of history or vision that Mao Zedong had, and are no doubt still exploring what the 'rightful' place for China should be once China has risen. Until that time, and as long as no other state – particularly Japan – emerges to take on a leadership position in East Asia, China can be expected to desist from taking on a leadership role and rely on multilateral frameworks, such as ASEAN and the Six Party Talks to maintain stability, order and prosperity in the region.²²

China's somewhat open-ended view of what its rightful place is, in fact allows scope for the international community to influence China on this critical issue if it should choose to do so. While China is pursuing a policy of 'peaceful rise' or promoting a 'harmonious world', the Chinese government is articulating rhetoric meant to reassure the rest of the international community (excepting perhaps Taiwan, which justifiably sees itself under threat from China). Whether the Chinese government means to adhere to its rhetoric, its articulation provides the basis for the international community, and China's East Asian neighbours in particular, to work with the Chinese government to require the latter to live up to its rhetoric.

Such an approach will also be a useful way to socialize China in its conduct as a rising power. With the top leaders of China a decade or two down the line still holding more junior positions in the government at a relatively young age, they should be susceptible to socialization on the issue of China's rightful place in the world. The current Chinese leaders' world-view is still affected by the Maoist legacy, but this can be slowly eroded, if not completely removed. What is needed is for the future leaders of China to work well with their opposite numbers outside of China, and to see that the rising China is indeed already being treated fairly and judged largely according to the standards set by Chinese rhetoric or policy. In light of geography and the fact that the Chinese government sees its surrounding region as of primary importance, countries in East Asia can play an important part in socializing China as a rising power. Even though the Chinese government prefers to desist from playing a leadership role in East Asia, the other countries in the region can work together to encourage China to take on a leadership role, but one that will be defined by widespread regional

discussions including China and Japan. This may have to involve bypassing the Taiwan issue, as China's position over Taiwan will remain uncompromising, but the active discussions within the region for an appropriate leadership role for China should help to shape and clarify among Chinese leaders what China's rightful place in the world should be.

This process needs to be started while China is rising and has a vested interest in working with its neighbours, as any country finding itself enjoying the position as the premier power can be expected to conduct itself arrogantly. China has expressed a desire to avoid this pitfall. It is up to its neighbours to see to it that China's conduct matches its words. With China being put on the spot to adhere to its rhetoric of a 'harmonious world' it will have to live up to it or reveal its true intentions, if indeed they are different from its articulated policy. The rightful place and role for China, or for that matter any great power, in East Asia in the twenty-first century should not be a matter for that power to decide but one to be worked out through a dynamic process of discussions and diplomacy in a multilateral framework.

NOTES

1. The last major outstanding legacy of the 'century of humiliation' was the loss of the territory now known as Russian Far East, but the PRC government has historically chosen not to make an issue of this. The other territorial disputes China has with its neighbours, including India and Vietnam, can also be attributed to the legacy of European imperialism in the peripheral areas of China. Arguably – and certainly as seen from Beijing – Taiwan is the other major legacy (see the section on Taiwan).
2. See, for example, Hu Jintao's 'Speech at a meeting marking the 60th anniversary of the victory of the Chinese people's war of resistance against Japanese aggression and the world anti-fascist war', 3 September 2005, <http://www.mfa.gov.cn/eng/wjdt/zyjh/t211664.htm> (accessed 5 June 2007).
3. Deng Xiaoping's original 'Twenty-four character strategy' in Chinese: 冷靜觀察, 站穩腳跟, 沉着應付, 縮光養晦, 善於守拙, 絕不出頭 *lengjingguancha, zhanwenjiaogen, chenzhuoyingfu taoguangyanghui, shanyushouzhuo, juebuchutou*.
4. For recent Chinese military modernizations, see Blasko (2006) and Shambaugh (2002).
5. *Deng Xiaoping Wenxuan III*, p. 363 (24 December 1990).
6. *Ibid.*
7. Taiwan is excluded in this characterization as the Chinese government does not accept Taiwan is an independent country, and is technically a matter of foreign policy for China. The importance of Taiwan in China's calculation will be treated separately in the following section.
8. 日本人民斗争的影响是很深远的 'Riben renmin douzhen de yingxiang shi hen shengyuan de', <http://www.southcn.com/nflr/ldzb/mzdsx/200312160860.htm> (accessed on 1 June 2007). This document is a record of a meeting between Mao and a Japanese Socialist Diet member on 24 January 1961).
9. *Newsweek*, 28 May 2007.
10. For a highly sympathetic rendition of China's efforts to mediate over this issue, see Wu (2005). Wu worked at the Chinese Foreign Ministry before she went to the Kennedy School of Government, where she wrote this article.

11. *New York Times*, 14 February 2007.
12. For a detailed examination of China's claim in history, see Tsang (2005b).
13. The word 'colony' was apparently used by Mao.
14. British Foreign Office Archives, FO371/110238, Note by Sir G. Fitzmaurice, undated, c. Nov. 1954.
15. Zhongyang Wenxian Yanqiushi (ed.) (1992), p. 326 (Zhou's statement on US 'military occupation' of Taiwan, 28 June 1950).
16. 'Full text of Jiang Zemin's report at 16th Party Congress' (2002), <http://www.china.org.cn/english/features/49007.htm#8> (accessed 1 June 2007).
17. 'PRC: 2004 White Paper on National Defense Published', <http://www.fas.org/nuke/guide/china/doctrine/natdef2004.html> (accessed 1 June 2007).
18. 'Full text of Jiang Zemin's report at 16th Party Congress' (2002), <http://www.china.org.cn/english/features/49007.htm#8> (accessed 1 June 2007).
19. Various scholars and others at think tanks have produced various proposals in recent years, but the governments on both sides of the Taiwan Strait are not prepared to take them seriously (Jakobson, 2004; Tsang, 2004; Myers and Kuo, 2004; Lieberthal, 2005).
20. For the likely consequences of a Chinese use of force against Taiwan, see Deng (2006) and Huang (2006).
21. In reality the CCP was represented as part of the Chinese delegation at the San Francisco conference of 1945 that founded the UN. Dong Biwu was the head of the CCP group within the Chinese delegation.
22. The Shanghai Co-operation Council is deliberately omitted here as it is not primarily an East Asia focused organization.

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6. A regional partner or a threatening other? Chinese discourse of Japan's changing security role in East Asia

Rex Li

1. INTRODUCTION

China and Japan are both key actors in East Asia and they share a wide range of economic and trade interests. Their geographical proximity and cultural affinity have helped them develop close links with each other over the years. Yet their relationships are complex, turbulent and at times bitter. Historically, when China was powerful, Japan was weak; when Japan became stronger, the Chinese empire began to crumble. Today, the situation is rather unique in that both countries are major powers in their own right. Japan has established itself as an economic superpower whose influence in the world economy is extremely significant. More recently, Japanese politicians have become more candid in articulating their political aspirations. In particular, they have expressed their desire to become an 'ordinary' nation and to play a more prominent role in regional and international affairs (Hughes and Krauss, 2007). At the same time, China is widely regarded as a rising power with growing economic strength and military capabilities. China's gradual integration into the international community has certainly increased its political influence in the global arena.¹

A crucial question often raised by academics and policy-makers is: how will the relationship between the two East Asian powers develop in the coming years? In terms of regional security, how will China handle its relationship with a Japan that is playing an increasingly prominent and active role in East Asian security? To what extent will China be prepared to cooperate with Tokyo in building a regional security structure to maintain stability and peace in East Asia? Obviously, there are many variables shaping future Sino-Japanese security relations. One important factor is how they perceive each other's intentions and capabilities. This chapter will focus on Chinese perceptions of Japan's changing security role in East Asia with particular emphasis on the post-September 11 era.² It will also provide

a critical analysis of Chinese discourse from the perspectives of various international relations theories. This is followed by a consideration of the implications of Chinese security thinking on Japan for regional leadership and security cooperation in East Asia.

Before embarking on the tasks, we must be clear about whose perceptions are under examination when referring to 'China'. The analytical focus of this chapter is on the security discourse of the Japanese experts and policy analysts in the People's Republic of China (PRC) who regularly articulate their security perceptions of Japan in Chinese policy journals and academic publications.³ These specialists have a significant input into the Chinese foreign policy-making process through their participation in policy-oriented seminars, preparation for commissioned reports for government departments and other types of activities. Many of them speak frequently at university departments and think tanks and contribute to public discussion on major international issues via their commentary on television and in newspapers. Their views are thus important in shaping the direction of policy debates and possibly public opinion on major security issues in China.

2. JAPAN'S STRATEGIC AIMS IN A CHANGING GLOBAL CONTEXT

According to China's Japan specialists, there are two main strategic aims (*zhanlue mubiao*) in Japan's foreign policy. The first is to safeguard the national security and prosperity of the country. In the context of the post-Cold War security environment, Japan has strengthened its security alliance with the United States while seeking to build up its own defence capabilities. In the meantime, the Japanese government is said to have placed a greater emphasis on multilateral security arrangements. In terms of economic development, Japan has been actively involved in East Asian economic cooperation, although its trade and economic ties with the US remain strong. What Tokyo intends to do, according to the Chinese, is to establish various free trade areas with ASEAN countries, South Korea and Taiwan. This would be extended to the PRC and eventually to Australia and New Zealand. The Chinese maintain that Japan aspires to play a leading role in East Asian economic cooperation (Liu, 2003: 24–5).

Japan's second strategic aim, Chinese analysts believe, is to become an 'ordinary nation' in the sense that it should be an economic as well as a political and military power (Yang, 2003). By 2003, observe the Chinese, a consensus was reached by various political forces in Japan that becoming an 'ordinary nation' is the path that should be followed. This is related to

Japan's quest for the status of a political power (*zhengzhi daguo*). From the Japanese perspective, to become a political power it is necessary to develop its economic strength and military capabilities accordingly. This is thought to be the rationale behind Japan's active involvement in the US-led 'war on terrorism' and the diplomatic activities related to the North Korean nuclear crisis (Liu, 2003: 26–27; Yao, 2003: 47, 49).

Chinese security analysts believe that Japan's 'United Nations diplomacy' (*Lianheguo waijiao*) is an integral part of its attempts to reach the status of a political power. To achieve its objectives, says the Chinese, Tokyo has increased its contribution to the UN's total expenditure from 11.4 per cent in 1989 to 19.5 per cent in 2004. From July 2003 to June 2004, Japan contributed US\$53 billion to the UN's peacekeeping budget. In addition, Japan has made a significant contribution to various types of UN activities, including UN peacekeeping operations, anti-terrorism, arms control, poverty reduction and so on. The Chinese are aware of the consensus among Japanese politicians that Japan should become a permanent member of the UN Security Council. They have also noticed the increase in popular support for Japan's UN Security Council membership from 45 per cent in 1992 to 70 per cent in 2004 (Zhang, J., 2005).

The Chinese note that Japan was encouraged by the former UN General Secretary Kofi Annan's support for UN reform in 2004. Tokyo is said to have become more active in promoting the reform and expansion of the Security Council with other countries with the same ambition such as Germany, India and Brazil. To PRC analysts, Japan is seeking to play a more prominent role in the UN because of national pride in that it wishes to be able to interact with the five permanent Security Council members on an equal footing. This is related to Japan's motive of revising its pacifist constitution. Being a permanent member of the Security Council, Japan would be expected to be responsible for maintaining international peace and security, which will include authorizing military operations and participating in UN peacekeeping. This, the Chinese assert, would provide the best justification for Japan to amend its constitution, paving the path towards its destination of political power. Finally, Chinese scholars and analysts maintain that Japan is keen to play a major part in preserving the existing international order, which has served Japanese interests. Japan's eventual aim, argue the Chinese, is to establish itself as a truly 'ordinary nation' with an equal relationship with the United States (Liu, 2003; Zhang, J., 2005).

A major concern of the Chinese is whether there will be a resurgence of Japanese militarism in the near future.⁴ Although some Chinese analysts appreciate the difficulties and disincentives for Japanese politicians to fulfil their political aspirations through military means (Zhao, 1999), the

possibility of Japan becoming a military power (*junshi daguo*) has not been ruled out. Indeed, Japan's growing military power and its responses to the events since 9/11 have caused much trepidation among Chinese analysts and security specialists (Yang, 2002; Hu, 2004). On 29 October 2001, the Japanese government passed an Anti-Terrorism Special Measures Law. Although the legislation had a two-year limit, it allowed the Self-Defence Forces (SDF) to provide logistical, rear-echelon support to the American and British forces in the Indian Ocean. From 2002 to 2004, the counter-terrorism legislation passed by the Diet was revised four times. Meanwhile, the government approved the despatch of Japanese C-130 transport planes to provide relief supplies to Afghan refugees in Pakistan. In November, Tokyo decided to send two destroyers and a supply ship to the Indian Ocean. A year later, Japan's government decided to offer further surveillance and logistical support to American and British naval forces by sending an AEGIS-equipped destroyer to the area (IISS, 2001/2002; IISS 2002/2003).

More significantly, the Japanese government decided to support the US's military actions in Iraq, despite negative public opinion and opposition from the leaders of its coalition partners, the new Conservative Party and the new Komei Party as well as members of its own party, the Liberal Democratic Party. Former Japanese Prime Minister Koizumi promised that Japanese forces would not take part in the US-led invasion of Iraq. Instead, they would contribute to the rebuilding of post-war Iraq, which was made possible by the passage of a Law Concerning Special Measures on Humanitarian and Reconstruction Assistance by the Diet on 26 July 2003. In December, the Japanese government approved a plan to dispatch several hundred non-combat troops to Iraq for a period of one year. Only 9 per cent of the population showed their support for the plan and critics pointed to the dangerous situation in Iraq and the possibility of the troops being drawn into combat.⁵ Nevertheless, the main task of the troops was to provide humanitarian assistance, and the SDF mission was extended.

Not surprisingly, Japan's reactions to 9/11 and the 'war on terrorism' have been followed closely by Chinese analysts. They are convinced that the Koizumi government exploited the fear of terrorism to push legislation through the Diet, which allowed the SDF to be deployed beyond Japanese waters and air space. Tokyo's active diplomacy in the Arab world, Central and South Asia before and during the Afghan war, coupled with generous Japanese financial support for the post-war reconstruction of Afghanistan have aroused apprehensions in Beijing. Many Chinese scholars believe that Japan's 'anti-terrorism diplomacy' (*fankong wa,jiao*) is designed to expand the areas of its security cooperation with the US and to raise its international status more generally (Xu et al., 2002; Jin, 2002). They also argue

that Japan's decision to support the US's invasion of Iraq and dispatch SDF abroad signify its intentions of expanding Japanese military activities which will inexorably lead to the revision of its pacifist constitution (Zhang, J., 2003; Hu, 2004). In December 2004, Japan published a National Defence Programme Outline (Japanese Defence Agency, 2004) that would enable Japan to play a broader role in international security. Specifically, it would allow the SDF to defend Japanese security interests and carry out anti-terrorist missions around the world. This has again heightened Chinese concern of Japan's future strategic intentions (Hu, 2005).

3. JAPAN'S SECURITY STRATEGY IN EAST ASIA

While Japanese ambitions in the international arena have attracted much attention from Chinese security analysts, it is Tokyo's Asia strategy that causes the greatest concern in China. Many Chinese experts believe that Japan is gradually 'returning to Asia' (*huigui Yazhou*), having been a close friend and ally of the US for over 50 years (Zhao, J., 1993; Zhao, 1996). Others, however, contend that Japan has always placed a great deal of emphasis on Asia and that it has regarded the region as its backyard. Its post-war economic development is to a certain extent dependent on the resources and markets of Asia, especially Southeast Asia (Lu, 1997). Following the debate in the 1990s over whether Japan should 'leave America to join Asia' (*tuomei ru Ya*) or 'leave Asia to join America' (*tuoya ru Mei*), Chinese scholars note, Japan has chosen the external strategy of 'joining America and Asia simultaneously' (*ru Mei ru Ya*) (see Chapter 11). In any case, Japan's Asia strategy is seen to be inseparable from its global aspirations.

In recent years, apart from maintaining a high level of economic and trade interactions with Asian countries, Japan has been developing closer political and security relations with its Asian neighbours and with the ASEAN states in particular. More significantly, Japan is believed to have taken a more high-profile and assertive stance on a whole range of security issues in Asia. This is because of Japan's apprehension of the uncertain security environment in the Asia Pacific despite the end of the Cold War. From the Japanese perspective, the Chinese note, the Asia-Pacific is a region of complexity and diversity in terms of its history, culture, political system and level of economic development. Within this region, there are also divergent security perceptions that may lead to tension and conflict. Chinese security analysts recognize Japan's concern about regional flashpoints relating to the Korean Peninsula, the Taiwan Strait and the South China Sea as well as unresolved territorial disputes between Japan

and China, Japan and South Korea, and Japan and Russia, respectively. Many believe Tokyo is also troubled by the rise of defence budgets in many Asian countries and military development in the region. This is particularly destabilizing given the lack of established multilateral security mechanisms in the region (Yao, 2003).

4. JAPAN'S SECURITY RELATIONS WITH THE UNITED STATES

The close defence ties between Japan and the US have long been a concern among Chinese security analysts. Their anxiety heightened substantially following the signing of the 1996 US–Japan Joint Declaration and the revised Guidelines for US–Japan Defence Co-operation in September 1997.⁶ In the view of many Chinese elites, Japan–US security cooperation has been broadened and strengthened since 9/11. The various anti-terrorism legislations passed by the Diet, it is argued, have enabled the Japanese government to collaborate more closely with the US in achieving its security objectives. From the Japanese perspective, a solid security relationship with Washington is essential to Japan's quest for a more significant role in the world. This explains why the Koizumi government acted against public opinion in supporting Washington on the Iraq war (Li, 2006). To the Bush Administration, Japan's backing for the US invasion of Iraq was vital, even though Japanese contributions to the war were essentially symbolic. As former Prime Minister Koizumi commented at a news conference in December 2004: 'Japan's support activities in Iraq are the implementation of policies for the Japan–US alliance and international co-operation . . . such implementation is a national interest of Japan'.⁷ What Japan seeks to do, Chinese analysts argue, is to achieve the status of an 'ordinary nation' through the expansion of the US–Japan security alliance (Liu, 2003).

Although the PRC is Japan's biggest trade partner, the Japanese are acutely aware that a stronger China would present a huge challenge to Tokyo's position in the Asia Pacific. Especially worrying are Beijing's growing military capabilities.⁸ Indeed, this concern was conveyed in the recently published defence outline where, for the first time, China was named as a potential threat (Japanese Defence Agency 2004). The Japanese government also shared the US concern over the PRC's threat of using force against Taiwan.⁹ In a joint US–Japan security statement of 19 February, 2005, both countries agreed that encouraging 'the peaceful resolution of issues concerning the Taiwan Strait through dialogue' should be one of their 'common strategic objectives'. They also agreed to 'encourage China to

improve transparency of its military affairs' (Japanese Ministry of Foreign Affairs, 2005a). Ono Yoshinori, Director General of Japan's Defence Agency, is reported to have said: 'While we should maintain good relations with China, we must also pay attention to its military moves'.¹⁰ The Japanese saw the intrusion of a Chinese nuclear submarine into Japanese territorial waters in November 2004 as evidence of a growing China threat. Chinese scholars accept that the 'China threat' is not the only basis on which Japan maintains its alliance with the United States. From a Japanese standpoint, they point out, no other security relations can be more important than the US–Japan alliance in terms of ensuring Japan's security. The alliance is also seen to be vital in securing American involvement in tackling potential regional crisis. More broadly, Japan hopes that the alliance will play a stabilizing role in Asia Pacific security, and contribute to the preservation of international peace (Yao, 2003).

To the Chinese, the most worrying aspect of Japan–US security cooperation is arguably Tokyo's involvement in the development of the Theatre Missile Defence (TMD) system in Asia. In December 1998, Tokyo and Washington agreed that their joint research on the TMD would begin in 1999 involving expenses of 200–300 billion Japanese Yen. Japan indicated in December 2003 that it would procure an off-the-shelf ballistic missile defence system from Washington (Hughes, 2004: 108–109). Chinese specialists are sceptical of the claim that the TMD is designed solely to deal with potential missile attacks from North Korea. They argue instead that the project reflects a wider agenda between Japan and the US in coordinating their missile defence activities in East Asia and deepening their military cooperation in the region and beyond. Japan's motive, say the Chinese, is to utilize the joint development of the TMD to enhance its position within the alliance and raise its profile in regional security affairs (Yao, 2003: 51–3). But China's main concern is the possibility that TMD would be exploited by Japan and the US to help Taiwan defend itself in the event of a cross-strait conflict. A full-scale anti-missile defence cooperation among Tokyo, Washington and Taipei would be a nightmare scenario for Chinese defence planners (Wu, 2003).

5. JAPAN, ASEAN AND REGIONAL SECURITY

Apart from strengthening bilateral defence cooperation with the United States, Japan has over the past decade been active in promoting multilateral security in the Asia Pacific region. In particular, Japan has been closely involved in the activities of the ASEAN Regional Forum (ARF). Japan's security engagement with ASEAN and support for the ARF in particular,

according to Chinese analysis, are based on the desire to safeguard Japanese security interests in Southeast Asia. It can be said that Japan's economic security is largely determined by its geographical location. Eighty per cent of the oil that Japan needs passes via the South China Sea. Thus, a vital part of Japanese security strategy is to ensure that freedom of navigation in the area is not disrupted by any potential conflict. Maintaining security dialogue with ASEAN, some Chinese analysts note, will contribute to the promotion of regional peace and security that will in turn protect the lifeline of the Japanese economy. Others, however, argue that Japan's close association with the ARF reveals its aspirations to create an Asia Pacific security system in which Tokyo will play a central role (Wang, 1997; Jia, 1997).

A major worry of Chinese analysts is Japan's alleged collaboration with ASEAN to constrain China. Indeed, the fear of an increasingly powerful China is shared by some ASEAN states that have unresolved territorial disputes with the PRC in the South China Sea. Their attempts to 'internationalize' the issue, say the Chinese, have provided an opportunity for Japan to entice ASEAN's support to curtail China's influence in the region (Wang, 1997). Given the mutual suspicion between Japan and China, Tokyo was said to be displeased by the announcement of Chinese and ASEAN leaders in November 2002 that they would establish a China-ASEAN Free Trade Agreement by 2010 that could become the world's third largest trading bloc. In response to China's economic diplomacy, Japan is said to have become more proactive in developing relations with ASEAN states (Bai, 2004). At the 2002 ASEAN Plus Three summit, Japan launched a new initiative, Japan-ASEAN Comprehensive Economic Partnership, which would involve the negotiations of a series of bilateral trade agreements with individual ASEAN states (Dent, 2003).

6. CHINA, TAIWAN AND NORTH KOREA

In addition to the ASEAN region, China suspects that Japan is seeking to challenge Chinese interests in the Taiwan Strait. Indeed, the extension of the geographical areas covered by the 1996 Japanese-US Joint Declaration and the revised Guidelines for US-Japan Defence Cooperation has led to considerable apprehension among Chinese policy elites. Their greatest concern is the possible inclusion of the Taiwan Strait in the ambiguous 'surrounding areas' mentioned in the treaty and guidelines (Xiao, 1998: 8-9). The Chinese are convinced that in collaboration with the US, Japan is exploiting the Taiwan issue to impede the reunification of China and Taiwan.

Since the early 1990s, Chinese analysts contend, Japan has upgraded its relationship with Taiwan significantly. During the Cold War era,

Japan–Taiwan relations were confined mainly to the sphere of economic cooperation. Over the past two decades, it is said, greater emphasis has been placed on political interactions. More official and high-level contacts between the two sides have taken place (Ma, 1997; Yang, 1996). Chinese security specialists believe that the ultimate aim of Japan's post-Cold War Taiwan policy is to use the 'Taiwan card' to constrain China, which is perceived as its principal rival in the Western Pacific region (Fan, 1999; Lian, 1998). A united China that combines the economic strengths and strategic advantages of the PRC and Taiwan will present Japan with a huge challenge in the twenty-first century. As long as Beijing and Taipei remain divided, it is said, they will not be able to take effective measures to deal with the issue of sovereignty in the Spratlys and Diaoyu/Senkaku Islands. It is therefore not in Japan's interests to see the reunification of China and Taiwan.

From the Chinese perspective, Japan has continued to fortify its relations with Taiwan since the mid-1990s with the aim of 'using Taiwan to constrain China' (*yiTai zhiHua*). It is possible, they predict, that Tokyo would provide military support for the US in a Taiwan conflict in future (see Chapter 5). Since the election of Chen Shui-bian as the Taiwanese President, the Chinese assert, Japan has maintained close links with the pro-independence DPP (Democratic Progressive Party) government. Japan is also believed to have increased its influence on the island through 'economic penetration', political interactions, high-level defence and security dialogues, and the development of the TMD system. Increasingly, Japan, the US and Taiwan are engaged in regular trilateral strategic dialogues, say the Chinese (Yang, 2004; Wu, 2005). Tokyo's decision to issue a visa to former Taiwanese President Lee Teng-hui to visit Japan in December 2004 was interpreted as another attempt to challenge China on the Taiwan issue. The Chinese reacted strongly to the February 2005 US–Japan security statement that listed Taiwan as one of their common security concerns (Japanese Ministry of Foreign Affairs, 2005a).¹¹ This is interpreted by the Chinese as an indication of US–Japan collaboration to interfere with China's 'internal affairs', despite the Japanese government's reassurance that Japan does not support Taiwan's independence.

Taiwan is not the only issue that Japan is worried about. Some PRC security analysts recognize that Japan does have broader concerns over China's policies and activities. Central to Japan's security considerations are, say the Chinese, China's rapid defence modernization, strong nuclear capabilities and its non-transparent defence budgets. China's involvement in various unresolved territorial disputes, such as those in Taiwan, South China Sea and East China Sea has also troubled Japanese defence planners. The fact that China has become increasingly powerful and that it is not willing to

rule out the use of force to resolve border disputes means that conflict may occur in East Asia in future which could affect Japanese security. However, Japan has an ambivalent attitude towards a rising China, according to Chinese observation. On the one hand, it is uncertain of the PRC's future development and therefore feels the need to guard against China. On the other, Japan sees China's economic growth as an opportunity for Japanese businesses. Japan's China policy is said to have reflected this ambivalence (Yao, 2003; Liu, 2003).

In the view of Chinese policy elites, there are two dimensions to Japan's strategy towards China. First, Tokyo is seeking to integrate the PRC into the current international system. In terms of regional security and economic cooperation, the Chinese note, the two countries have common interests as well as differences. What the Japanese are hoping to do is to establish a multi-lateral security framework that can be used to constrain Chinese actions without antagonizing it. As to economic cooperation, Japan needs China's participation but is wary of its growing economic power in the region. Essentially, the Japanese government is believed to be trying to influence China's behaviour through engagement and dialogue but it is unsure of Beijing's security intentions. This is why Tokyo has strengthened its alliance relations with the US while engaging in security dialogue with China (Li, 2006). At the same time, Japan is seeking to develop its relations with China's neighbouring countries in order to balance an increasingly powerful China. This strategy, the Chinese observe, has been written into Japan's strategic documents (Liu, 2003: 33–4).

In Northeast Asia, North Korea is seen as a significant challenge to Japan. Indeed, Pyongyang's nuclear programmes and ballistic missile activities pose a tremendous threat to Japanese security given the geographical proximity between the two countries. The North Korean missile launch in August 1998 is a vivid reminder of how vulnerable Japan is to a missile attack. Despite the difficulties in dealing with North Korea, Japanese leaders have been trying to develop a stable relationship with Pyongyang. They do not wish to see a military confrontation on the Korean Peninsula, nor face the consequences of a sudden collapse of the North Korean regime. Chinese security experts agree that Koizumi's historic visit to Pyongyang, and his meeting with the North Korean leader Kim Jong-il in September 2002 demonstrated Japan's desire to engage with North Korea through diplomacy and dialogue (Jin, 2003).

To Tokyo, a desperate North Korean communist regime could fire missiles at Japan and South Korea where US troops are stationed. Both Japan and the US regard a peaceful resolution of the North Korean issue as a 'common strategic objective', as outlined in their recent joint security statement (Japanese Ministry of Foreign Affairs, 2005a). In the meantime, the

Japanese government has expressed a willingness to collaborate with the Bush Administration to maintain 'preparedness for any situation' (Japanese Ministry of Foreign Affairs, 2005b). However, Chinese analysts argue that Japan's alliance with the US has constrained Japanese actions regarding the Korean Peninsula and can actually undermine Japan's security. Japan can only play a positive role, they believe, in handling the North Korean crisis if it has the support of its neighbouring countries (Wang, 2005). In order to find a diplomatic solution to the recent nuclear crisis, Japan has been actively involved in the Six Party Talks with North Korea, South Korea, China, the US and Russia.

7. SHOULD JAPAN BE TREATED AS A POTENTIAL ENEMY OR A REGIONAL PARTNER?

In the past few years, there has been an intense debate among PRC scholars and analysts on the nature and direction of Japanese security strategy and how China should respond to the Japan challenge. As discussed in the previous sections, most Chinese scholars perceive Japanese intentions with great suspicion. In their view, a major consideration in Japan's security strategy is to prevent China from threatening its security interests and challenging its position in East Asia. Japan is also believed to have been collaborating with Washington to thwart China's attempts to fulfil its Great Power aspirations. However, a small but vocal minority of Chinese analysts contend that it is not in China's interest to treat Japan as a threat and potential enemy.

In 2002, Ma Licheng (2002), a commentator of the *People's Daily*, published a controversial article on Sino-Japanese relations in the influential journal *Strategy and Management*. In this article, he strongly criticized nationalistic writings on Japan and the irrational behaviour of some Chinese citizens, arguing that China needed to have 'new thinking' (*xinsiwei*) towards Japan. He pointed out that successive Japanese Prime Ministers had already apologized for Japan's wartime behaviour, and that China should not wrangle over the issue of apologies endlessly. Instead, China should forgive what Japan did in the past, focus on the common interests of the two countries and cooperate with each other to build a stable and prosperous Asia. Ma was particularly critical of irrational anti-Japanese sentiment in China that, in his view, would be detrimental to Chinese interests. This sort of nationalistic sentiment was said to have been fuelled by anti-Japanese reports and publications produced by some irresponsible media organizations. He contended that historically it was impossible to prevent a defeated country from regaining its status of a

normal nation. China should therefore be prepared to accept a Japan that would sooner or later become a major political and military power. There was a difference, said Ma, between the development of Japan's military capabilities and the revival of Japanese militarism. What China needed, according to him, was to learn from the experience of European countries which, having fought bloody wars with each other for years, were now able to achieve successful regional integration with a common currency.

The publication of Ma's article immediately stimulated a heated debate among Chinese intellectuals and scholars on how to handle the PRC's relations with Japan. Central to this debate is the question of how to respond to Japan's global and regional security strategy as China is rising to a Great Power status. There is no doubt that many Chinese analysts are wary of Tokyo's strategic intentions and its China policy in particular. Is it possible to maintain a stable and cooperative relationship with Japan while China is developing its great power capabilities? Should Japan be treated as a partner or as a long-term rival? How is China's Japan strategy related to its broader aim of 'peaceful rise'?¹²

In support of Ma's arguments, Professor Shi Yinzhong (2003) of Renmin University published an article in *Strategy and Management* where he proposed a 'diplomatic revolution' (*waijiao geming*) in Sino-Japanese relations. He argued that China and Japan should become closer with each other, thus alleviating their 'security dilemma'. His view was based on the argument that China could not afford to face a hostile Japan apart from dealing with hostility from the US, Taiwan and possibly India. To develop a closer relationship with Tokyo, said Professor Shi, China would be able to concentrate on handling the pressure and potential threat from the US and preventing Taiwan from gaining independence. Shi concluded that a stable relationship with Japan would help improve China's peripheral security environment. He believed that Japan might also be interested in having a closer relationship with China. Economically, China is said to have provided Japan with huge investment and trade opportunities. Thus, a hostile relationship with a China whose economic influence was rising rapidly would not be in Japan's national interest (see Chapter 2).

In addition, Shi (2003) pointed out that there was considerable concern in Japan about certain aspects of the US's assertive China policy. Finally, establishing closer relations with China would help Japan to 'return' to Asia. Specifically, Shi recommended the adoption of five main strategies in relation to his 'diplomatic revolution'. First, China should not allow the historical issue to undermine its overall security strategy. Second, Chinese leaders should express their gratitude to Japan for the enormous amount of economic assistance given to China since the beginning of the reform era. Third, China should not repeatedly express its concern over the possibility

of a Japanese remilitarization. Fourth, Japan should be welcomed as a great power to participate in multilateral meetings dealing with regional economic, political and security issues. Fifth, on the issue of reforming the UN Security Council, China should treat Japan in the same way as it would treat other countries. China might even consider supporting Japan's membership of the Council in due course (see Chapter 9).

Not surprisingly, the articles by Ma Licheng and Shi Yinhong generated a huge response from other scholars. For example, Feng Zhaokui, a well-respected specialist at the Institute of Asia-Pacific Studies, Chinese Academy of Social Sciences (CASS), published four lengthy articles on the 'new thinking' in Sino-Japanese relations exploring the issues raised in Ma and Shi's articles. The journal *Strategy and Management* published a special issue on Sino-Japanese relations. The CASS journal *World Economy and Politics* also organized a special seminar on China's strategic thinking towards Japan. A number of prominent scholars were invited to participate in the seminar, including the journal's editor Wang Yizhou, Shi Yinhong, Feng Zhaokui, Pang Zhongying, Ling Xingguang, Zhang Tuosheng and Yang Yanyi.

Many scholars supported the argument of Ma and Shi that China should consider its political and security relations with Japan within its overall security strategy. They agreed that a confrontational relationship with Japan would undermine China's security environment and its efforts to pursue a great power status. Some scholars argue that China should not apply a double standard to judge Japan. As Zhou (2003) put it: 'If we believe that a rising China is entitled to become an important member of the international system, then we have no reasons to object to Japan's attempts to gain a similar status given that it is playing an increasingly important role in the international system' (p. 20). Zhang W. (2003) questioned the widely accepted assumption that Japan's participation in UN peacekeeping and other activities indicated the revival of Japanese militarism. Such security discourse, he warned, could turn into a self-fulfilling prophecy. Similarly, Li (2003) suggested that the Chinese should try to transcend the historical issue in Sino-Japanese relations. It might be wise, he said, to shelve historical issues (for example, formal apologies, visits to the Yasukuni Shrine) and not to over-react to the textbook issue, discussion on the revision of Japanese constitution, the despatch of Japanese SDF to overseas countries, and Japan's desire to become an 'ordinary nation'.

While accepting the strategy proposed by Ma and Shi, some scholars took issue with them on several arguments. For example, they contend that the responsibilities for resolving historical issues rested with Japan rather than China because of repeated attempts by some Japanese politicians to distort history. They questioned the sincerity of the apologies by certain

Japanese Prime Ministers. It was also argued that trying to become closer to Japan in order to deal with potential threats from the US was wishful thinking given Tokyo's alliance relations with Washington. Still others believed that it was right to ask Japan to promise not to pursue a policy of remilitarization in future despite the fact that it would be difficult for Japan to return to militarism (Zhang, T., 2003).

One of the most critical articles is probably the one by Lin (2004) who believed that the 'new thinking' in China's Japan policy advocated by Ma and Shi was unhelpful and even 'harmful'. He argued that it was misguided to suggest China should be responsible for poor Sino-Japanese relations. The country that needed 'new thinking' was Japan rather than China. In Lin's view, Japan was responsible for causing concerns in China and tensions in Sino-Japanese relations. He cited Japan's changing defence policy, enhanced alliance relations with the US, participation in the TMD system, proposals to amend its pacifist constitution, and the despatch of the SDF to Iraq and so on as indications of Japan's non-peaceful intentions. He contended that extreme nationalism did not exist in China as suggested by Ma and Shi.

8. POWER, SECURITY AND IDENTITY: THEORETICAL ANALYSIS OF CHINESE SECURITY DISCOURSE ON JAPAN

The evidence presented in this chapter suggests that the majority of Chinese policy analysts perceive Japan as a major challenge to Asia Pacific security and to the security of China. The Chinese view of Japan's post-Cold War global aspirations clearly reflects the realist perspective on international relations in that Japan is seeking to increase its global economic and political influence in order to advance its national interests in the international system. Chinese analysts tend to see Japan as a unitary actor seeking to compete with other great powers in the world and with China in particular. Their interpretations of Japan's post-Cold War security strategy in the Asia Pacific are shaped largely by the consideration of Great Power competition and the balance of power in the region (Morgenthau, 1978; Waltz, 1979). It can be argued that the Chinese primarily perceive Japanese intentions and actions through the realist lens. In the eyes of the Chinese, Japan is an ambitious nation seeking to become a 'political power' in the world and a regional power in the Asia-Pacific. Thus, the decision of the Japanese government to renew its security treaty with the US is motivated by a desire to strengthen Japanese power so as to dominate Asia-Pacific security matters.

In addition, it appears that China's perception of Japan's post-Cold War security strategy is shaped by the views of structural realism. It can be argued that Japan's desire to play a more significant role in the world and in East Asia is driven largely by the changing structure of the international system. The end of bipolarity has arguably given Japan the opportunity to reassert itself as a more significant player in world politics. This is why some Chinese security analysts argue that Japan is seeking to become a more equal partner of the US within the US–Japan security alliance. It can also explain why the Chinese believe that Japan has become more assertive in its pursuit of a 'political power' status. As Waltz (2000) argues, it is inevitable that the current international structure will shift from unipolarity to multipolarity. He believes that Japan will inexorably develop into a great power because of its economic capability and its fear of vulnerability to other great powers, especially China (Waltz, 2000: 32–4). The structural realist theory can therefore be used to explicate the Japanese government's concern of growing Chinese military power and Japan's recent activities in UN peace-keeping, anti-terrorist operations, the Iraq conflict and cooperation with the US on missile defence programmes. The Chinese may ponder over Waltz's (2000) question with some trepidation: 'How long can Japan live alongside other nuclear states while denying itself similar capabilities?' (p. 34).

In the view of many Chinese security specialists, Japan has the ambition of becoming a political power with or without the potential threat from China. They believe that Japanese politicians have merely used the 'China threat' theory to justify its high defence spending, military development and enhanced security cooperation with the US. Tokyo's ultimate aim, according to the Chinese, is to become a political and military power possessing the capability of exerting regional hegemony in East Asia. In this sense, the Chinese perception of Japan can be explained by offensive realism, which argues that states would exploit any opportunity to maximize their relative power. In an anarchic international system, according to this theory, all great powers are non-status quo powers (Mearsheimer, 2001). Seen from this theoretical perspective, it is not too difficult to comprehend why some Chinese analysts believe that Japan's security strategy is of an offensive rather than defensive nature. If Japan were to become a regional hegemon in East Asia, it would be in a position to prevent China from acting assertively in the Taiwan Strait and South China Sea. For PRC leaders and elites, reclaiming their 'lost territories' is an integral part of China's great power aspirations. Thus, Chinese analysts perceive Japan's 'ambition' as a major obstacle to their construction of a great power identity for China.

However, Chinese scholars are not oblivious to the variety of traditional and non-conventional security challenges that Japan faces. They appreciate

the relevance of other dimensions of security to Japanese strategic thinking. In particular, they have recognized the linkage between economic development, energy security and strategic considerations. Chinese scholars have pointed out, for example, that one of the main reasons why Japan is interested in the territorial disputes in the South China Sea, the Taiwan Strait and the East China Sea is its concern over the impact of potential regional conflict on the Japanese economy. As freedom of navigation in these areas is of utmost importance to Japan in terms of oil supply and trade activity, it does not wish to see any developments that might be detrimental to Japanese interests. This is a reflection of the neo-realist security perspective and mercantilist theory of international political economy in that the state is seen as the primary actor in international relations, and economic activity should not be separated from state interests (Gilpin, 1987).

Chinese analysts are aware of the Japanese apprehension that successful resolution of the disputes over the sovereignty of Taiwan and the South China Sea islands hinges largely upon the future policy of the PRC. Hence, the Japanese perceive China as a challenge, if not a potential threat, to Asia-Pacific security. It is precisely because of these concerns, Chinese specialists note, that Japan has decided to maintain a close security tie with the United States. At the same time, Tokyo is keen to promote security cooperation with its Asian neighbours (Liu, 1998; Yang, 1998). In particular, the Japanese government sees the ARF as a useful channel of security dialogue through which suspicion could be reduced, mutual understanding enhanced and confidence built among the key regional players. Like China and other Asian nations, Chinese analysts observe, Japan needs a stable and peaceful environment to sustain its economic growth. All this indicates Chinese awareness of Japan's intention of enhancing its security through multilateral institutions and cooperation. In this regard, Chinese analysis is consistent with the theory of defensive realism that posits that cooperation is possible in an anarchic international system (Jervis, 1978). But this can also be explained by the theory of *neo-liberal institutionalism*, which is widely used to explain why and how states can cooperate through international institutions.

Chinese experts have also noted Japan's fear that arms proliferation and territorial conflict may intensify in post-Cold War Asia, which could undermine the stability of the entire region. As China is involved in many unresolved territorial disputes in East Asia, they admit, its growing economic strength and military capability are viewed with considerable concern by Japan. But this apprehension has not prevented Japan from accelerating the development of its trade relations with China. Despite their mutual suspicions on security matters, Sino-Japanese economic relations have continued to grow. Chinese security specialists have clearly grasped the essence

of Tokyo's strategy of achieving regional peace through trade and economic interdependency. In this sense, they could be regarded as liberals rather than realists. Indeed, the Chinese recognize the liberal elements in Japan's policy towards China.

In their analysis of the relationship between Japan's domestic politics and its security strategy, Chinese analysts seem to have moved further away from their realist position. They have demonstrated an understanding of the impact of domestic factors on Japan's foreign relations. Specifically, they have discerned the changing balance of power between various institutions within the Japanese foreign policy-making process. In addition, Chinese scholars have noticed the rising influence of the revisionists on Japan's foreign and security policy since the 1990s. They realize that the rise of neo-nationalism in Japanese politics and society could lead to a more assertive security strategy and unstable Sino-Japanese relations.

Despite their negative security perception of Japan, few if any Chinese analysts suggest that China should adopt a confrontational stance towards Japan at the expense of economic and commercial benefits. It is clear that China has much to gain from Japanese investment and Sino-Japanese trade (Taylor, 1996). Chinese scholars acknowledge the need to pursue further economic and security cooperation with Japan. They accept that China and Japan are great powers and that they have a shared interest and responsibility to maintain peace and stability in the Asia-Pacific region. This view seems to reflect both defensive realism and neo-liberalism in that cooperation is possible under anarchy.

Nevertheless, the complexity of Sino-Japanese relations cannot be adequately explained by realism and liberalism alone. While material factors are pertinent to the analysis of China's security perceptions of Japan, one has to take into account the ideational aspects of Chinese discourse. As the social constructivists argue, history and culture are important in shaping an actor's identity, which in turn influences what the actor considers as its interest. In the case of Japan, history plays a significant role in shaping its own identity and how other countries perceive Japan's identity. Indeed, the way Chinese analysts view Japan's security thinking and foreign policy behaviour is overshadowed by Japan's modern history. They tend to emphasize the militaristic tendency in Japanese security discourse on the basis of Japan's wartime behaviour.

The Chinese are particularly sensitive to Japanese actions that may trigger their historical memory, the most prominent example of which is the visit of senior Japanese politicians to the Yasukuni Shrine. The regular visits of successive prime ministers to the shrine, where executed war criminals are venerated along with other war dead, are seen as a sign of Japanese reluctance to accept the past. Another example illustrating the relevance of

history to China's perception of Japan is the dispute over how Japan's actions during World War II are presented in Japanese history textbooks that, according to the Chinese, have been deliberately distorted. The textbook issue is of course not just a matter of interpretation of history (Rose, 1998). As the issue is seen as an indication of Japan's attitudes towards its national goal and military policy, a 'correct view of history' becomes directly relevant to how the country is perceived by its neighbours.

The Chinese (and the Japanese) are constantly reminded of the Japanese invasion of China in the 1930s by the phrase *qianshi buwang, houshi zhishi* (past experience, if not forgotten, is a guide to the future). The latest row over the Japanese government's approval of eight high school history textbooks that had allegedly downplayed the magnitude of Japan's wartime crimes led to widespread public protests in China in April 2005.¹³ To many Chinese elites and analysts, the history of Japanese invasion reminds them of the invasion and division of China by foreign powers during the 'century of shame and humiliation'. For example, their conjecture of Japanese support for the pro-independence forces in Taiwan is often linked to the history of Japanese occupation of the island before 1945. There is a tendency among Chinese writers to view Japanese security strategy through a historical lens. For many years, the Chinese population including Chinese intellectuals and analysts have been socialized into viewing Japan's foreign policy in terms of its historical record. This kind of discourse underpins the argument that Japan should not be allowed to develop its military capabilities, play a leadership role in Asia, assume the responsibilities of a permanent member of the UN Security Council and become a 'normal nation'.

China's perception of Japan is also shaped by cultural factors in the sense that the Japanese language and culture are in many ways influenced by China. This explains why the Japanese tend to show more restraint in dealing with China. Despite its concern of the implications of a rising China and their close security ties with the US, the Japanese government has been loath to take a confrontational approach to China. On the contrary, it seeks to reassure China of its benign intentions while working closely with Washington to minimize the potential 'threat' of a powerful China to Japanese interests. This has been noted by the Chinese and is sometimes exploited effectively to put pressure on the Japanese government to show more 'understanding' of China's position. Nevertheless, Japan's deference towards China has not altered Chinese analysts' perception of Japanese security intentions. As Drifte (2003) argues, it has actually exacerbated Chinese suspicion that Japan may be trying to conceal its real motives and will confront China when the time is ripe. This demonstrates how difficult it is to change ideas and perceptions that are historically and socially constructed, as the social constructivists argue.

It is clear that Chinese scholars and analysts perceive Japan's security strategy as a major obstacle to the formation of China's great power identity. Post-modernist scholars would argue that the discursive construction of Japan as a threatening 'other' serves to unite the Chinese people in achieving their common goal. The general view presented in most Chinese writings is that a politically and militarily powerful Japan is detrimental to the security of Asia and of China in particular. This assessment is based largely on Japan's behaviour during World War II and its 'unrepentant attitudes' towards its history. What is more 'threatening' to the Chinese is the supposition that Japan is working closely with the US to frustrate China's great power aspirations. The extension of the scope of Japanese-US security cooperation to include 'the situation in Japan's surrounding areas', Japan's involvement in the development of the TMD system and the dispatch of Japanese SDF to Iraq are but a few examples cited in Chinese writings to illustrate the growing 'Japan threat'. Japan's gravest 'threat' to China's core interests would be a US-Japan-Taiwan collaboration in preventing China from using force to 'reunify' with Taiwan. This type of 'discourse of danger' (Campbell, 1998) is useful in reminding the Chinese population how important it is to build a strong and powerful nation. Both China and Japan have the ambition and potential of achieving the status of a great power but are uncertain of each other's future intentions. Their competition may thus be interpreted as a clash of identity. Seen from this perspective, Chinese writers' construction of the 'self' seems inseparable from the construction of the 'other', that is, a threatening Japan.

9. GREAT POWER ASPIRATIONS, SECURITY DISCOURSE AND REGIONAL LEADERSHIP IN EAST ASIA

Whether China will rise to a great power status remains to be seen, but China's desire to fulfil its aspirations has had an immense influence on its self-perception and its perception of Japan. This will inevitably shape China's conception of regional leadership in East Asia. The analysis of Chinese security discourse of Japan in this chapter gives little indication that Japan is a trusted regional partner in dealing with security issues. Instead, Japan is perceived as a threatening other whose security strategy and activities in East Asia are considered as a serious impediment to China's endeavour to construct a great power identity. It is therefore difficult to imagine that Japan would be entrusted by the Chinese to play a leadership role in the region.

In the meantime, there is strong evidence indicating China's desire to exert its influence in East Asia, if not to lead it. Many observers agree that

China's influence in East Asia has increased considerably in the past few years (Shambaugh, 2005). There are of course different interpretations of the meaning of regional leadership. Do China and/or Japan intend to play a leadership role in institutional terms or in terms of exercising soft power? Either way, it is inconceivable that China will happily accept a regional order under Japanese leadership. This is closely related to Chinese memory of the history of the 1930s and 1940s when Japan sought to 'lead' the region through coercive measures and military means.

Another question is whether and to what extent China will be willing to take on a joint leadership role with Japan on security matters, given that Japan is equally reluctant to concede to any form of Chinese hegemony in East Asia. China and Japan have been able to work together to promote regional economic cooperation, but can they cooperate in building a regional security structure that takes into account the security concerns of both countries and their neighbours? Prior to the mid-1990s, China was very sceptical of multilateral security forums, fearing that the US and other Asian countries would exploit them to constrain Chinese actions. But these perceptions have changed substantially in recent years, as Chinese leaders have discovered that it is in China's interests to take part in multilateral security cooperation (Hughes, 2005). Indeed, PRC officials and security experts have participated in a variety of Track-I and Track-II security meetings in East Asia such as the ARF and Council for Security Cooperation in the Asia Pacific (CSCAP).

A major change in China's attitudes is that it has actually been involved in the creation of multilateral security mechanisms, playing a leading role in both the Shanghai Cooperation Organisation (see Chapter 10) and the Six Party Talks on the North Korean nuclear crisis (see Chapter 12). Chinese scholars stress the depth and breadth of China's involvement in multilateral security cooperation in the past decade. A related development is that the PRC has become more active in promoting military cooperation with other states, including conducting joint military exercises with neighbouring countries. In October 2004, the ARF's security policy conference was held in Beijing, which signified the transformation of China's perception of the nature and utility of multilateral security forums (Sun, 2005). Indeed, some PRC scholars argue that China should play a more prominent role in developing multilateral economic and security cooperation. This would help strengthen China's influence on its surrounding security environment as well as reducing the concern of China's neighbouring countries over the growth of Chinese power. They argue that it is in the interest of both China and its neighbours to find common grounds in their security cooperation (Tang, 2000: 47–8).

Many Chinese scholars have argued that China should actively participate in regional security cooperation organizations (Yan, 2000).

Sa Benwang (2004), Deputy Head of the China Committee of CSCAP, argues that closer security cooperation among Asia-Pacific countries is an inevitable trend despite numerous obstacles. Shi (2000) has written a very important article arguing that the creation of East Asian security mechanisms will benefit all the countries in the region including China. His view is based on the analysis of the 'security dilemma' in East Asia. Professor Shi points out that the security situation in East Asia is a classic example of the 'security dilemma' widely discussed in the international relations literature. With the rise of China, the balance of power in the region is expected to change significantly at some points in future. This has led to considerable apprehensions among the US and Japan. American and Japanese leaders feel that they have to respond to the power transition in East Asia because of the uncertainties of China's security intentions. The three major powers are thus locked into a vicious circle of suspicion. Similar suspicions also exist between China and India, China and certain Southeast Asian countries. The only way out of this 'security dilemma', according to Shi, is to establish East Asian security mechanisms. Such mechanisms would reduce the possibility of regional conflict and help improve China's security environment, Professor Shi maintains.

Feng (2005) holds a similar view, contending that the Sino-Japanese security dilemma has been exacerbated by China's ascendancy as a great power. He believes that the only solution to the problem is to replace the Hobbesian culture of security dilemma by the Kantian culture of security community. From a social constructivist perspective, he says, the inter-subjective knowledge of mutual distrust between China and Japan can be changed through the development of a security community (Wendt, 1995). Specifically, Feng suggests that the Six Party Talks should be upgraded to a formal security cooperation mechanism in Northeast Asia equivalent to the ARF in Southeast Asia. Similarly, the ASEAN Plus Three mechanism should be used by China and Japan as an avenue for further cooperation, with the ultimate aim of establishing an East Asian community.

For the foreseeable future, China would feel more comfortable with pursuing security cooperation with Japan via various channels of bilateral and multilateral dialogue. This would also make it easier for China to shape the regional agenda through economic, diplomatic, and increasingly, cultural means. To be sure, China has become much more proactive in engaging with multilateral security forums but whether it will be prepared to collaborate with Japan in establishing new security mechanisms and leading them is far from certain given PRC leaders' apprehensions of Tokyo's security intentions and its alliance relationship with the US. So long as Japan is perceived as a threatening other in Chinese discourse, it would not be easy for Beijing to trust Japan in tackling regional security issues. It is notoriously

difficult to alter an actor's security discourse, as perceptions are socially and historically constructed and they do not change overnight. On the other hand, as social constructivists would argue, state behaviour can be constrained and indeed influenced by inter-subjectively shared ideas and values as well as institutions and norms. If anarchy is what states make of it, it is possible to change perceptions via international interaction and social practice that aim to reduce conflict and promote peace and security (Onuf, 1989; Wendt, 1999).

There were clear signs of improvement in China–Japan relations after Shinzō Abe became the Japanese Prime Minister in September 2006. It is too soon to assess the impact and recent departure of Koizumi on Japan's China policy. Nevertheless, Abe's decision to make China the destination of his first overseas trip contributed immensely to the reduction of tensions between the two countries that had been built up in the Koizumi era.¹⁴ Following this 'ice-breaking visit' to Beijing, Abe emphasized the importance of building a 'mutually beneficial, strategic relationship' with China in his New Year statement in 2007.¹⁵ In response to Abe's positive moves, the Chinese Premier Wen Jiabao made an 'ice-thawing' trip to Japan in April where he gave an address to the Japanese parliament thanking Japan's 'support and assistance' in China's economic modernization. Wen also acknowledged the 'apologies' made by Japanese leaders and politicians over various historical issues, while urging Japan to 'show in concrete ways their expressed attitudes and promises'.¹⁶ Interestingly, both of the two major points in Wen's speech were suggested by Chinese scholars and analysts who advocated 'new thinking' in Sino-Japanese relations¹⁷ (see Chapters 2 and 3).

To achieve reconciliation between China and Japan, the two countries would need to recognize each other's genuine concerns and tackle the issues that have affected or may affect their bilateral relations. In particular, they should confront the history-related problems rather than avoiding them. The joint historical research project between Chinese and Japanese scholars (Japanese Ministry of Foreign Affairs, 2006), which began in December 2006, was a good starting point.¹⁸ Of course one should not expect any significant outcomes from the project in the short run but it is a useful avenue through which the 'history question' in Sino-Japanese relations can be addressed. Similar scholarly activities should be encouraged at semi-official and unofficial levels. Unless the history problem is resolved, it would be very difficult for the two East Asian powers to move forward.

A prominent issue over which China and Japan may come into conflict is their territorial dispute in the East China Sea. Apart from conflicting claims over the sovereignty of the Diaoyu/Senkaku islands, both countries have been actively competing for access to the rich deposits of natural gases that are believed to exist in the area. Given the growing demand for energy

in both countries, their rivalry will only intensify in the coming years. There has been some discussion on joint development between Beijing and Tokyo but it has not led to any tangible results due to disagreements over the nature and operation of joint development (Drifte, 2007; Valencia, 2007). If Chinese and Japanese leaders wish to avoid a resource conflict in future, they must seek to develop inter-subjective values and norms of negotiations that are based on the concept of 'absolute gains' advocated by the neo-liberal institutionalists.

I agree with van Ness (2007) that security cooperation in East Asia is closely linked to the extent of reconciliation between China and Japan. If the Chinese can change their security discourse of Japan from a threatening 'other' to a less threatening or even a non-threatening neighbour,¹⁹ it would be possible for the two countries to establish some sort of co-leadership in East Asia which may also be developed into a collective leadership involving other major powers or actors such as the US and ASEAN. Meanwhile, future developments in Sino-Japanese relations and security cooperation may be shaped by the perceptions and policies of other countries in the region. Here the role of the United States is particularly important, as it has extensive economic and security interests in Asia and is a powerful strategic ally of Japan (Li, 2004b; Li, 2006).

China's continuous economic engagement and security dialogue with Asian countries may gradually change its perception of the region and security perception of Japan in particular. As mentioned earlier, the debate between the PRC elites who see Japan as a threat and those who hold a more positive view of the country is intense and is not likely to be resolved any time soon. Which of the two discourses prevails will have profound implications for Sino-Japanese relations as well as the stability and security of East Asia. It is therefore important for Western scholars and analysts to unpack the Chinese security discourse of Japan and detect any significant change in the discourse as China continues to engage with its Asian neighbours and the wider world.

NOTES

1. I have provided a detailed consideration of the Western debate on the nature and security implications of a rising China elsewhere. See Li (2004a).
2. For analyses of Chinese security perceptions of Japan in the 1990s, see Christensen (1999) and Li (1999).
3. My analysis of Chinese security discourse is based on a wide range of Chinese-language material. However, only a limited amount of relevant sources can be cited in this chapter due to space constraints.
4. This question has also been investigated by Western scholars. See, for example, Hook (1996).

5. *CNN News*, 'Japan to send troops to Iraq', 9 December 2003, <http://edition.cnn.com/2003/WORLD/asiapc/east/12/09/japan.troops/index.html>.
6. For a good discussion of the significance of the US–Japan security treaty and the revised guidelines, see Hook et al. (2001), pp. 139–42.
7. *Asahi Shimbun*, 'SDF mission in Iraq extended', 10 December 2004.
8. For a comprehensive analysis of Japan's concerns about the security implications of a rising China, see Drifte (2003).
9. Anthony Faiola, 'Japan to join US policy on Taiwan', *The Washington Post*, 18 February 2005.
10. Kyodo News, 'Japan, US set security goals, eye Taiwan, N. Korea', 20 February 2005.
11. According to many observers, this was the first time that the Taiwan issue had been mentioned publicly by Japan and America in their bilateral security statement. However, as Drifte (2003) has pointed out, in the 1969 Japan–US joint communiqué Prime Minister Sato and President Nixon already called the 'maintenance of peace and security in the Taiwan area . . . a most important factor for the security of Japan' (p. 96).
12. For a detailed analysis of the debate among Chinese scholars and security specialists on China's 'peaceful rise', see Li (2008).
13. For coverage of the protests, see BBC, 'Thousands join anti-Japan protest', 16 April 2005, <http://news.bbc.co.uk/1/hi/world/asia-pacific/4450975.stm>. The public protests were initially directed at Japan's efforts to gain a permanent seat on the UN Security Council and the history issue was brought in to support the argument against Japanese membership.
14. Joseph Kahn, 'China and Japan take steps to mend fences', *The New York Times*, 9 October 2006; Maureen Fan, 'Japan's Abe greeted with fanfare in China', *The Washington Post*, 9 October 2006.
15. David Pilling, 'Abe puts relations with China as priority', *Financial Times*, 1 January 2007; The Associated Press, 'Abe: Japan, China moving toward strategic relationship', *International Herald Tribune*, 1 January 2007.
16. Norimitsu Onishi, 'China leader pledges amity, but warns Japan', *The New York Times*, 13 April 2007.
17. See the section 'Should Japan be treated as a potential enemy or a regional partner?' in this chapter.
18. For Chinese reports on the joint historical research project, see 'China, Japan launch first-ever joint historical research', *People's Daily Online*, 27 December 2006, http://english.people.com.cn/200612/27/eng20061227_336036.html; 'Japanese, Chinese scholars begin joint history study talks', *People's Daily Online*, 20 March 2007, http://english.people.com.cn/200703/20/eng20070320_359129.html.
19. Japanese security discourse of China is equally important in shaping China–Japan relations but that is obviously beyond the scope of this chapter.

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PART IV

Addressing the rise of China

7. Towards a Sino-centric regional order? Empowering China and constructing regional order(s)

Shaun Breslin

1. INTRODUCTION

China's re-engagement with the global political economy has had massive implications for the functioning of the global economy as a whole, and on China's regional neighbours in particular. What has happened in China has already resulted in a reconstruction of the East Asian regional economy and has had a profound impact on individual regional economies. The Chinese leadership has also developed new policies designed to promote regional cooperation and integration and perhaps even ultimately some form of East Asian regional community. Not surprisingly, this combination of economic and diplomatic change has generated a renewed focus on China's regional leadership ambitions and capabilities, and the extent to which China might come to challenge US hegemony in the region and beyond.

This chapter accepts that state elites in the rest of East Asia are indeed altering their domestic and international strategies in response to what China already is and, more importantly, in preparation for what they expect China to become in the future. China's regional leadership is thus in some ways already a reality because regional elites have imbued China with power and responded accordingly to their own constructed image of a Sino-centric regional future.

What happens in China is clearly hugely significant and important. But this chapter takes a deliberately cautious approach in an attempt to temper some of the more hyperbolic assertions of China's impending rise to super-power status.¹ It also suggests that the focus on China often leads to Japanese economic power being understated and in some cases simply ignored. It does this by focusing on two understandings of the nature of international relations, which inform an understanding of the nature of (Chinese) power in the global political economy, and also processes of regionalization. These

understandings can be broadly bracketed together under the heading 'critical IPE'.

The first is a materialist conception of international relations and Strange's understanding of 'structural power' – specifically, her work on the power to shape global finance and production.² Strange's analysis had realist roots – she contended that the 'world has changed'³ and that realism had to be re-thought (not thrown away) to take these changes into account. But she also acknowledged a debt to Marxism, and Strange's work has informed the research agenda of many post-Marxist/critical IPE thinkers. The second (albeit related) understanding is the importance of ideas and the ability to exert ideational (or ideological) hegemony. Here I suggest that conceptions of Chinese 'soft power' built on 'the appeal of China as an economic model' (Kurlantzick, 2006: 5) overstate the ability of China to project and promote an alternative economic model, and this is without even thinking about the ability to project more overt alternative 'political' models and ideas. In short, the chapter suggests that China has clear importance and significance for the region, and that this will increase. China is also increasingly powerful in the region and able to exert its influence to attain its objectives, but whether this equates to 'leadership' is another question altogether.

2. A CAVEAT – WHICH REGION?

The chapter begins by outlying different conceptions of what lies behind China's engagement of the region in recent years before then considering the strategies deployed to attain these objectives. But before moving on to the main part of this chapter, it is first important to think what this region actually is that China may or may not come to lead. Regions are not naturally occurring phenomena, but are instead socially and/or politically constructed. Where there are formal regional organizations, we know who the members are and where the limits of that region lie, but there is nothing 'natural' about them and they can and do change. For example, not only has membership of the EU expanded but also what is now considered to be 'East' Europe is no longer simply based on ideological cleavages. Similarly, ASEAN now contains Communist Party states – both ex and still current – that the organization was pretty much organized to resist in the 1960s and 1970s.

The problem of identifying regions becomes even more difficult when it comes to parts of the world that are not compartmentalized into formal regional organizations. For the most part, this chapter uses a definition of East Asia as ASEAN Plus Three (APT), an understanding that leaves out

Taiwan (which is exactly what the Chinese government wants), Australasia, and the Indian sub-continent. While the Chinese preference is to focus on the first smaller definition of East Asia, the second larger vision is reflected in the preferences of others, and also largely reflected in the participants in the East Asia Summit (EAS).⁴ In many respects, the promotion of the larger vision of East Asia is a direct response to fears over potential Chinese regional leadership, and the significance of disputed understandings of what the region is or should be is an issue we will return to towards the end of the chapter.

Both of the above definitions of East Asia ignore many of the states that actually share a border with China – Afghanistan, Mongolia and the states of the former Soviet Union. Indeed, through the Shanghai Cooperation Organisation (SCO), China's regional relations with Russia and the Central Asian states of the former Soviet Union are in many ways more formalized and institutionalized than China's Asian relations (see Chapter 10). For the purposes of this chapter, we simply need to be aware that China's regional future does not just lie in East Asia; or put another way, China's regional relations are not uniquely with East Asia.

3. OBJECTIVES: DOMESTIC POLITICS, GREAT POWER ASPIRATIONS AND (ECONOMIC) SECURITY

For many good reasons, the study of contemporary Chinese international relations is frequently framed by the historical context of international interactions. It is, for example, almost impossible to think about the motivations of China's foreign policy without referring back to what happened during the 'century of humiliation'. The Chinese Communist Party's (CCP) victory in 1949 was either eased by or dependent on the party's nationalist appeal (depending on which history you read), by the party's determination to defeat the foreign imperialists, to restore sovereignty and secure China's borders, and then to restore China to its 'rightful' place in the world. In post-Mao China, the abandonment of socialist goals has not seen the 'death of ideology' as some suggest (Pei, 2002) but simply the shedding of the Marxist/Communist elements of the party's ideological basis. Nationalism remains hugely important as a tool of domestic legitimation for the CCP, and being a key actor on the world stage helps promote the idea of the Party as defender of national interests (often in the face of hostile opposition from the West). Indeed, Hughes (2006) argues that nationalism was at the heart of the reform process initiated by Deng Xiaoping – reforming the old system was justified and legitimated by the

need to build a strong China that could resist (and even oppose) the existing hegemonic global order.

The Chinese leadership has gone to great pains to assure international audiences that China will never seek hegemony and that its rise will not only be peaceful but also economically beneficial for the rest of East Asia. Not everybody believes this, pointing to Deng Xiaoping's philosophy of keeping China's real ambitions hidden as evidence of more sinister long-term goals.⁵ Others point to the problem of satisfying the domestic nationalist demands that the Party itself has done so much to generate. For example, Whiting (1995) points to the consequences of not only the new sense of pride in China's economic successes, or 'affirmative nationalism', but also the feeling that key external groups have been trying to prevent China's development and threaten Chinese interests: 'assertive nationalism'.⁶ It is important not to exaggerate this too far, but events like the China-ASEAN summit in Nanning and the Africa Summit in Beijing within a week of each other in October-November 2006 help to establish a vision of China as a central actor in global affairs.

As such, while promoting China's regional leadership might run the risk of alienating those who do not want to be led, Chinese predominance (if not outright leadership) is all but demanded by nationalist constituencies at home – at least some of whom think that the Chinese government does not always defend China's national interests effectively (Shen, 2004). The appeal of a more assertive nationalist foreign policy gains even greater resonance if it is seen to trump US and/or Japanese regional ambitions, which brings us to the importance of balancing and coalition-building in China's regional policy.

4. THE SECURITY AGENDA: IDENTIFYING ENEMIES AND REBUILDING TRIANGLES

Within the security literature, the dominant understanding of China's East Asia policy is underpinned by a double discourse of hegemony. The first discourse revolves around long-standing concerns over Chinese hegemonic ambitions – as Denny Roy (1994) put it in the title of a 1994 article, 'Hegemon on the horizon?'. In short, much of what is written on China and East Asia is inspired by a pervading unease that China will in the short run weaken the reach of US power in East Asia, and in the long run will establish leadership and/or hegemony over/in East Asia. Moreover, a decade after Roy's early warning, the establishment of ever closer economic and political ties between China and other regional states (and also with ASEAN) has given greater credence to the idea that China is 'reshaping the regional order' (Shambaugh, 2004–5).⁷

The second discourse revolves around understanding the motivations for Chinese engagement of the region – in short, the literature largely suggests that concerns about containment and the reach of US hegemony are driving Chinese policy. Earlier fears that the US–Japan security alliance might be on the wane (Friedberg, 1993/4) have not only proved to be unfounded, but the relationship has ‘rarely, if ever, been better’ (Christensen, 2006: 89). And although the Chinese government was not opposed to US intervention in Afghanistan,⁸ the length and extent of US involvement there and to a lesser extent in Pakistan has fed concern in China that it is being encircled by the hegemon (Chambers, 2007: 62). As Christensen (2006: 83) puts it, ‘China has been encouraged to improve relations with its neighbours diplomatically and economically at least in part as a hedge against US power and the fear of encirclement by a coalition led by the United States.’

While the US challenge and ‘encirclement’ might appear from the outside to be a case of clipping Chinese regional ambitions, Ross (1999: 93) argues that concern about encirclement from the US is ‘natural’ and about more than just containment as ‘the United States is the only power that can challenge Chinese territorial integrity’. To be sure, the threat level is not the same as in the 1950s and 60s, when Chinese policy-makers were all but convinced that war with one or other of the superpowers (and perhaps even both) was inevitable. However, even those who think that military conflict is highly unlikely suggest that there was a real concern in Beijing that the regional order would obstruct the attainment of national interests if left unchecked. For example, the bottom line of Goldstein’s (2005) analysis of China’s ‘Grand Strategy’ is what he calls a neo-Bismarkian approach to preventing a coalition of forces emerging against China allowing the time and space to concentrate on internal developments and modernization, in the short- to medium-term at least.

Thus, for many security scholars, classic ‘power balancing’ is at the heart of Chinese policy, intended to reduce the potential of containment and perhaps even conflict (Cheng, 2004; Hund, 2003). Regional leadership might remain rather elusive, but the promotion of friendly relations in East Asia with states that China once perceived as almost inevitable allies of the US might neutralize the threat to China (Sutter, 2004). This is partly achieved through diplomatic initiatives, but also through the promotion of closer economic ties. The Chinese leadership is depicted as establishing ‘strategic dependencies on China among its neighbours’ (Christensen, 2006: 104) to ensure that the region would not necessarily choose the US if the Taiwan issue ever results in the region having to take sides (Medeiros, 2005/6: 156; Chambers, 2007: 63). And rather than counterbalancing this Sino-dependence by seeking accommodation with the US, Friedberg

(2000) points to the danger of 'bandwagoning' instead; hooking up with China's rising star and locking the US out of East Asia. Beyond this initial reactive and 'resisting' phase, the next stage might be to build – perhaps more correctly lead – a counter-hegemonic alliance against US unipolar hegemony. In this respect, East Asia might come to occupy the third point of a strategic triangle that has been missing a pole since the collapse of the Soviet Union.

Whether the Chinese government has the ability to manipulate international economic relations in the way suggested above is open to question. What this strategy means for security in the region is also open to question – not least because there is no consensus among the various observers. Nevertheless, the overarching argument in this security literature that the Chinese leadership is trying to build alliances to limit and perhaps even neutralize US power is convincing, and is supported by official Chinese statements about hegemony and the global order. Indeed, we can perhaps take it a step further. Chinese policy is not just concerned with the US, but also with preventing Japanese leadership, on its own or in partnership with the US. Regional policy is also partly designed to neutralize Taiwan's attempts to build partnerships in Southeast Asia that might strengthen its claims to statehood or see it acting more and more like a state in international relations. In 1994, Lee Teng-hui's 'vacation diplomacy' saw him and/or his ministers meeting top-level government officials in Malaysia and Singapore (in January) and Indonesia and Thailand (in February). Enforcing China's insistence on not just a one-China policy but also against anything that might even intimate a two-China reality is part of this objective of engaging East Asia.

But there is also more to the security dimension of China's regional strategy than simple power balancing. If we take the US and Japan out of the agenda for a moment, working with the region helps confidence-building. Perhaps more important, China and ASEAN (nations and the organization) have a shared interest in dealing with marine piracy and transnational crime. The SARS outbreak also illuminated the importance of information-sharing and policy coordination to prevent new threats to human if not national security. Perhaps most important of all, Chinese understandings of what economic security is, and how it should be attained, changed in the late 1990s. In many respects these economic security concerns have led the Chinese leadership to look to engage the region – and economic security has also pushed many regional elites into rethinking their own relationships with China. And while the 'traditional' security agenda is clearly important in shaping Chinese policy, the remainder of this chapter will focus on broadly defined 'economic security' and the politics of international economic exchanges.

5. STRATEGIES

5.1 Engagement with Regional Organizations

One of the most important changes in Chinese strategy to meet these objectives is through engagement with ASEAN. Until fairly recently, ASEAN was seen as a problem for China, if not a potential threat, at least an organization that was unsympathetic to Chinese goals, and an organization that was inclined towards Washington and US economic and strategic interests. The abandonment of the conception of ASEAN as necessarily a danger or obstacle represents a crucial sea change in not only Chinese thinking but also Chinese policy.⁹ For Chung (2007: 157) and Shambaugh (2004/5: 67–8) this conception began to change in the wake of Tiananmen in 1989. With the exception of Japan, there was a marked lack of condemnation from East Asian states to the Tiananmen killings. Rather than acting as a regional branch of US foreign policy, ASEAN as an organization and individual ASEAN state leaders instead decided to engage China at a time when international isolation was a real possibility. Christensen (2006) sees 1996 as the key year, and overt US support for Taiwan during the Taiwan Straits missile crisis as the key event. Fearing US encirclement, China decided to turn to East Asia as a hedge against US power using economic relations and trade agreements as political tools in great power balancing.¹⁰

However, in many respects when it comes to economic security, the 1997/98 East Asian financial crisis was an even more important turning point. The crisis brought home the blunt reality that China's economic fortunes were inextricably linked with what happens elsewhere (Fewsmith, 1999; Zha, 1999; Wang, 2004). Harris (2001) argues that the crisis resulted in a fundamental shift in conceptions of security in China, manifest by the much greater emphasis on the need to ensure 'economic security' in the 1998 White Paper on Defence. For a set of Chinese thinkers, realist conceptions of IR were found wanting in understanding the impact of globalization, forcing a rethink of the relationship between political and economic dynamics, and the relationship between the domestic and the international (Fang, 2000; Wang, 2003). Perhaps most of all, it entailed a rethink of China's relations with the rest of the region, both bilateral relations with individual states, and with the region as a whole. Working together to head off potential crises at a regional level was increasingly seen as being in China's own national self-interest, especially if such regional cooperation might reduce the need to rely on the US-dominated global financial institutions in times of crisis.

Not having to rely on the US-dominated international financial institutions (IFIs) also did much to increase the attraction of working with China

in Southeast Asia. At a time when there was considerable discontent in the region against the terms of bailout conditions from the US-dominated international financial institutions, and a feeling that this was in some way 'pay-back time' for East Asia's previous economic success (Higgott, 1998), there was ample space for a Chinese 'charm offensive' in Southeast Asia (Lautard, 1999). The prospect of having China's massive foreign currency reserves as a bulwark against any future financial instability was also very attractive. Moreover, China's willingness to participate in the Chiang Mai Initiative (see Chapter 1) represents a form of Chinese monetary diplomacy that has helped cement the idea that China has become a responsible state worth working with and engaging.

Such monetary diplomacy is not purely philanthropic. In the wake of the financial crises, Chinese exports in key areas dipped as the crisis economies' currencies made their exports much more competitive in key third markets such as the US and Europe, as well as Japan, despite its own economic difficulties. Indeed, the whole turn towards East Asia and East Asian regionalism was in large part inspired by the secondary impact of the crises on the Chinese economy. Somewhat ironically, Makin (1997) and Bergsten (1997) both argue that China's own competitive devaluation in 1994 was the starting point for economic problems in many regional states that resulted in the financial crises. Devaluation made exporting from China so attractive that labour-intensive production moved to China, resulting in the ASEAN states losing out in the key US and Japanese export markets (Holst and Weiss, 2004: 1256).¹¹ Even if China did not cause the crisis on its own, the actions of Chinese elites certainly created a changed economic environment that other regional states had to, and perhaps failed to, respond to.

In 1997, there were real fears in East Asia and elsewhere that China might respond to the reduction in its comparative exchange rate advantage by devaluing again, which would plunge the rest of the region into a further spiral of financial chaos. Simply not devaluing won considerable (and in many respects excessive) praise and helped promote the idea that China was a responsible economic actor. In addition to serving Chinese national interests by preventing further downward spirals, the lessons of 1997/98 were that there was a real opportunity to neutralize the region as a potential ally of the US hegemon. Perhaps in the long term, it might become part of an emerging alternative pole defending or even promoting a different set of values under Chinese leadership (Hund, 2003; Cheng, 2004). Furthermore, Chinese engagement could act to neutralize the potential of Japanese regional leadership (Desker, 2004: 13).

So Chinese 'monetary diplomacy' in the 1990s was also well received, further cementing the idea that engaging the region could well work to China's advantage, not just economically, but in classic realist conceptions

of power balancing and the national interest. Further attempts to engage the region followed. For example, China signed a 'Declaration on the Conduct of Parties in the South China Sea' in 2002,¹² and joined the ASEAN Treaty of Amity and Cooperation in Southeast Asia in 2003. Notable by its omission in these discussions was a discussion about Taiwan, and some regional states have made attempts to have as close a relationship with Taipei as possible, short of formal diplomatic recognition. China is also a proactive participant in the APT meetings in addition to its own ASEAN Plus One summits, such as the one held in Nanning in October. More practically, China has gone further than Japan and South Korea in actual economic engagement by signing up to the creation of the ASEAN–China Free Trade Area (ACFTA).

5.2 A Diplomatic 'Charm Offensive'

To some extent, ACFTA also forms part of China's 'charm offensive' in the region. As we shall see later, there has been considerable concern that China's economic rise has been or will be at the expense of other East Asian economies. While the investment–trade nexus in East Asia is not a zero-sum game, China clearly is competing with other export-oriented states for foreign investment, and competed with the same states for access to the key lucrative markets of the US, Japan and the EU. With China's entry into the WTO, this impact is expected to grow as investment is diverted from Southeast Asia to China (Braunstein and Epstein, 2002). Forecasts from the World Bank suggest that the closer a state's export profile to that of China, the more that state is expected to lose, with workers in the textile and apparel sectors in the region predicted to lose most, and the Philippines and Indonesia most under threat. The challenge is most severe in the Philippines and Indonesia. To compound the problem, the jobs under threat in the Philippines are overwhelmingly in low-skill sectors, where the new opportunities offered by China's rise require skilled workers, making an easy transition from one type of employed activity to another, highly unlikely (Ianchovichina et al., 2004: 71). Felker (2003: 280) notes that the reduction in investment to ASEAN nations between 1996 and 2001 is almost all explained by what happened in Indonesia. Clearly, domestic issues in Indonesia did much to reduce its attractiveness for investors, but the concomitant attraction of China also played its part. Nearly a quarter of Indonesian exports are 'at risk' from Chinese competition (Ianchovichina et al., 2004: 69), and again the transition to competing with China to occupying a different level of the value chain seems unlikely.

Furthermore, Chinese negotiators would not have signed the ACFTA if they did not think it would benefit China. But signing also helps promote

Beijing's desired message to the region that there is nothing to fear from China. On the contrary, because China is a responsible economic partner, as witnessed by the ACFTA, China's economic progress represents a 'win-win' for both China and East Asia, and East Asia's economic future is rosy precisely because of the rest of the region's economic relationship with China. This message has been more overtly articulated in the 'Peaceful Rise of China' hypothesis first aired by Zheng Bijian at the 2003 Bo'ao Forum for Asia, which provided a theoretical justification for the continued charm offensive. The gist of this concerns how China has shown it is not only a force for peace and stability in the region, but the region as a whole can also benefit from the economic spillovers of Chinese growth. Far from being the threat to regional economic stability that some argued China's rise had already become in 1997, China's rise is the guarantee of regional economic stability and development. As Zheng (2005) comments, 'China's Peaceful Rise will further open its economy so that its population can serve as a growing market for the rest of the world, thus providing increased opportunities for – rather than posing a threat to – the international community' (p. 24).

China's peaceful rise will benefit the world, but the rest of the region will benefit most (Ahn, 2004). In addition, China's leaders have been keen to repeat the message that they have no intention of imposing hegemony over East Asia, and as Wen Jiabao put it at the ASEAN–China summit in 2006, 'China consistently supports ASEAN's leading role in regional affairs and regional co-operation.' As already noted, not everybody is convinced by this rhetoric. Indeed, rather than assuage fears of a Sino-centric future, ironically some people at least have focused on the inevitability of China's rise (*jueqi* 崛起), rather than the peaceful (*heping* 和平) half of the slogan, and as a result, the rise is increasingly being replaced by harmonious (和) development (和平发展). Indeed, perhaps the most important reason why regional elites seem to be happy to engage China is because they are practical and pragmatic and realize that they have little option but to make the most of the reality of new regional dynamics.

5.3 Empowering China from Without?

In this respect, whether China actually has power or not is irrelevant – if others think that China is powerful now or will gain greater power soon and adjust policies accordingly, then China is effectively 'empowered'. In the process, the preferences and objectives of China's elites gain greater significance in policy-making processes at national and regional levels. Just as financial markets discount future economic shocks – for example, oil price rises – by dealing with them before they occur, so East Asia's leaders

have discounted China's future economic rise. The Bo'ao Forum for Asia provides an example of sorts here.¹³ The forum was initially conceived as a mechanism for government and non-state actors to come together in dialogue to discuss issues of common regional interest (note here that the region is the broad inclusive East Asia). It is typically written off as being nothing but a talking shop that achieves nothing – for some in China, it is an organization that has persisted partly to give Long Yongtu something to do after the criticism of his negotiating skills in framing China's WTO entry criteria.

Returning to the idea that regions are constructed, talking shops shouldn't just be dismissed as purely irrelevant. The promotion of ideas and ideational transfer do not take place in a void, 'talking shops' are actually important mechanisms for transferring ideas. Perhaps more importantly for this chapter, Bo'ao has changed and become something of a Sino-centric organization. This Sino-centricism takes two forms. First, China's leaders have increasingly used the forum to announce and/or elucidate new policy initiatives and objectives, most clearly the Peaceful Rise of China hypothesis discussed above. Second, it seems that the primary reason that many participants make their way to Hainan every year is because they are interested in and/or concerned by the growth of China – and how they can make the most of it. As a result, they are not only happy for Chinese agendas to dominate, but they are actually there to find out what the Chinese are thinking and wanting. In the past, Japan's regional role has been characterized as leading from behind.¹⁴ In contrast, it seems that other regional actors are actually forcing Chinese leadership to the fore by making their choices and framing their policies with Chinese preferences in mind.

5.4 China's 'Market Power'

As already noted, there has been considerable concern in the region that China's rise has had a detrimental impact on other regional economies. But there is also a pragmatic recognition that China is a reality that has to be dealt with, so it may as well be dealt with in a manner that benefits the region. While there may be some arguments in Ramo's (2004) *The Beijing Consensus* that could be contested here, his argument that China's leaders don't really need to try to persuade other regional leaders is persuasive. In short, China's sheer size and rapid growth simply means that others have no choice but to fall in line with their policy preferences. Heartfield (2005: 197) similarly uses a 'self-interested' argument, suggesting that China's rise has been 'widely welcomed' because it has at least taken the sting out of the regional impact of recession in Japan. Shambaugh (2004/5: 76) adds a little

liberal theory to this pragmatism by claiming that the best way of dealing with China 'is to entangle the dragon in as many ways as possible'. As Wu et al. (2002: 1) put it, 'China still looms very large over Asia, and is a global economic force to be reckoned with. ASEAN will have to engage China both as a competitor and a partner – an intricate relationship that has to be managed prudently'.

In developing his conception of the 'new constitutionalism' Gill (1998) argues that the US government uses the structural power of the size of its market to force change on other countries while not reciprocating with corresponding liberalization of the US economy in order to benefit US-based economic interests. There is not a clear and direct comparison with China here, but the extension of the concept of 'market power' to China is not only interesting, but largely underpins the above-mentioned promotion of a win-win future for China and East Asia. It is certainly true that many producers in the region do see China as a market opportunity. However, for many, it is not the Chinese market that is driving new regional patterns of trade and investment, but those external markets that production in China is often dependent on itself. China is not the source of the pull alone, but the conduit through which the market power of other external economies is transmitted in the region. Put another way, both external sources of investment and also external demand drive intraregional economic relations.

For those regional economies that can, the best way of benefiting from China's rise is to go for high-skill, higher value-added stages of the production process. In Singapore, the emphasis has been on becoming a source of finance, not least by trying to attract multinational enterprises (MNEs) to establish their regional headquarters in Singapore (Felker, 2003). In this way, Singapore aims to act as a conduit between China and the global economy in much the same way (though on a smaller scale) that companies in Hong Kong have long played a bridging role between foreign investors and Chinese factories. In addition to finances and services, regional economies can also benefit through supplying China with higher-skilled, higher value-added exports and/or raw materials to be used in processing assembly within China.

For others, it is a process of adjusting to a new position in the production chain. For example, both the nature and destination of Thai exports has changed. While the export of labour-intensive manufactured goods to the US, Europe and Japan has stagnated (and in some sectors fallen), exports of products (particularly technology-intensive components) that are used in foreign-invested export industries have risen dramatically (World Bank, 2003). Similarly, Malaysian exports to China have come to be dominated by electrical components, chemicals, machinery parts and petroleum, and Indonesia's by raw materials such as processed oil, rubber,

timber and gas: all materials or components that are in high demand in China's export-oriented industries. China is typically now the third biggest export market for regional states after the US and Japan.¹⁵ In the Malaysian case, exports to China have now exceeded exports to both Japan and the whole of industrial Europe.

This understanding of China as one part of wider, or perhaps longer global production chains has two important implications for China's regional power and leadership. First, in some respects, China's growth does not suggest a new model for others, but is actually shaped by those 'same historical forces' that helped generate growth in other regional economies in previous decades (Felker, 2003: 255). In the key realm of ideational power, the ideas that have underpinned the global political economy during the expansion of the neo-liberal project appear to be having a significant impact on altering the basis of the Chinese economy, and the class alliances that shore up the authoritarian political system.

Second, it suggests that at least some of the power that is often credited to China actually lies elsewhere. With foreign investment producing more than half of all Chinese exports, a considerable proportion of the power over production in China and how it is financed lies elsewhere. Crucially, the significance of Japan as a funder of production in China and elsewhere is brought back into focus. As the world focuses on the emergence of China as the workhouse of the world, the importance of investment from Japan, as well as elsewhere, is often overlooked. Japan is a key direct investor in Chinese production, and as I have argued elsewhere (Breslin, 2007), even more important when indirect investment is taken into account (the same is true of investment from the US). For example, Cheung and Wong (2000) argue that Japanese investment is massively underestimated because of the practice of investing in China via regional offices. Although sorting through the statistics is an inexact science, Matsuzaki (1997) has estimated that about 80 per cent of Japanese FDI in Hong Kong is subsequently reinvested in Guangdong, appearing first as Japanese investment in Hong Kong, and subsequently as a Hong Kong investment in China.¹⁶ As Takashi et al. (2002) argue, 'Japanese exports to East Asia "cause" significant inter-regional trade' (p. 3). In short, in terms of the structural power identified by Strange in the introduction (Strange, 1996a; 1996b), there is considerably more power in Japan than a focus on the huge growth of production in China might make us believe.

5.5 Foreign Direct Investment

Despite considerable interest in China's outward foreign direct investment in recent years, it is not often discussed in research on China's regional

strategy.¹⁷ While finding consistent and reliable Chinese statistics has long been a problem in all areas,¹⁸ these generic problems seem to be heightened when considering Chinese outward investment for three main reasons. First, there is the problem of different sources; for example, UNCTAD figures for gross Chinese outward investment up to 2001 exceeded those produced by the Chinese government by a factor of eight (Wu et al., 2002: 117).¹⁹ Since then, the basis of statistical collection in China has been altered to meet international standards and more recent figures show far less divergence. However, there is still the issue of Chinese companies operating outside China (mainly in Hong Kong) who make profits or take out loans overseas to reinvest overseas, which do not appear in the PRC figure (Saunders, 2006). We also need to be aware that huge amounts of money leave China illicitly each year. Quite simply, we don't know the full extent of this capital flight, but Gunter's (2004: 74) estimate of US\$923 billion from 1984–2004 (and half of the total from 1999–2004) is based on a sound methodology.²⁰

Second, there is the problem of a single source changing its statistics. For example, reports in early 2006 from the Chinese Ministry of Commerce reported outward investment for the previous year as US\$6.9 billion before later reporting the figure as US\$12.3 billion. Third, as with other dimensions of Chinese trade and investment statistics, there is the problem of using bilateral statistics to analyse more complex sets of relationships – or put another way, we don't always know where the money ends up. For example, Hong Kong is the single biggest destination for Chinese outward investment, accounting for over half of the total. But much of this investment is subsequently reinvested elsewhere, including back into China to take advantage of incentives offered to overseas investment not afforded to locals.²¹ More recently, Latin America has emerged as a major destination for Chinese investment, but despite the growth in Chinese resource interests in the region, the overwhelming majority of this money goes to the Cayman and British Virgin Isles and Bermuda. In combination they account for roughly 20 per cent of all Chinese outward investment, and it's fair to assume that most of the money invested in these tax havens is not to produce or manufacture there. Indeed, it's also fair to assume that at least some of this ends up as investment back in China. When added to Hong Kong, this means that over 80 per cent of Chinese outward investment goes first to places where at least some of it doesn't stay very long!

So with these caveats in mind, what can we say about the extent of Chinese investment in general, and its importance for regional relations in particular? First, although Chinese investment is small in global scales (around 1.5 per cent of global flows) and dwarfed by inward investment (by more than a factor of five in 2006), it is growing extremely quickly. The

government only really encouraged China's investors to 'go global' in 2003, and from admittedly a relatively low starting point, it nearly doubled in 2004 to reach US\$5.5 billion, grew by 123 per cent the following year to reach US\$12.3 billion, and then by another third to reach US\$16.1 billion in 2006. By the end of 2006, China had become the 13th biggest source of investment in the world. All analysis suggests that it will increase for the foreseeable future, and become an ever-increasing part of China's regional relations, and indeed of China's wider global economic profile.

After stripping out the Hong Kong factor, the most popular sources of investment in East Asia are Thailand or Singapore (depending on which set of statistics are used), Malaysia, and Indonesia. Investment in the Philippines, Vietnam, Cambodia and Laos remains relatively low in both the number and value of projects, but in the last three cases is on the rise. Primary research by Koko Oo uncovered significant Chinese economic interests in Burma that did not seem to be showing up in official data.²² China has also been a key supplier of both finances and arms to the Burmese army. What we do know is that the Chinese have had a significant role in supporting infrastructure projects, including two naval bases and an additional shipyard (Saunders, 2006: 37). It is probably fair to suggest that China's economic interests in, and impact on, Burma are probably much more significant than the official words of both the Chinese and Burmese governments suggest.

Notably, those contacts that are recorded with Burma show the importance of sub-national governments as actors in China's international economic relations. The desire to redress uneven development within China has provided an impulse to create new transnational economic relations across China's west and southwest borders as part of the central government's 'Look West' strategy. However, while the government in Beijing sanctions and facilitates this policy, the provincial government of Yunnan Province has been a key actor in establishing trade and investment links with Burma. It has also played a key role in the much greater economic interests that China is building in the Greater Mekong Sub-Region, with a particularly notable agglomeration of Yunnanese investment in Chiang Rai in Thailand (Frost, 2004).

At the risk of oversimplification, we can identify four main types of Chinese investment in the region. First, investment in Singapore in particular is largely based on attempts to buy into those higher levels of the production process that China currently lacks – particularly in business services. Second, since the late 1990s, investment in manufacturing capacity has increased, particularly in Thailand and Cambodia, primarily in labour-intensive and low value-added projects. Third, investment in infrastructure projects has been an important part of supporting other priorities in the

region, for example by creating a land-link between Yunnan and Thailand through investments in Laos (Storey, 2005: 4).

Fourth, and perhaps in the long term most significant, China's investment policy (not just in the region) is in large part driven by resource requirements. There has been considerable international attention on the implications of increased Chinese demand for oil in particular. While China's engagement of Africa has recently been the main focus of attention, resource issues are also highly significant in East Asia. It is not just that this could increase prices and distort distribution flows, but that there could be crucial political consequences. Bad case scenarios see China increasing its influence and ultimately control over the South China Sea, and providing political and economic succour to dangerous authoritarian states. Worst-case scenarios point to the real danger of China's involvement in resource-based wars.²³

The politics of oil already play a role in Chinese investment in the region, and are likely to play a more significant role in the future. Quite apart from importing oil from Indonesia, if oil from the Middle East is not to go through US-dominated sea-lanes, then they will have to go through Southeast Asia. Chinese policy-makers have considered applying to build a canal in Thailand – to ensure that oil tankers do not have to pass through US-dominated sea-lanes – but seem to favour an alternative that entails building a pipeline through Burma to Kunming in Yunnan Province (Lee, 2005: 286). But there is much more to China's resource demands than just oil. According to official Chinese sources, a third of China's total investment is in extraction industries, and even higher when refining is added. Indonesia has already become a key site of China's resource-based investment in oil, gas and coal-based electricity generation, with Vietnam, Laos and the Philippines also actively touting for Chinese investment in extraction and energy industries.

With the exception of Vietnam, China is still relatively low on the list of each country's table of leading investors, and Chinese investment remains relatively minor. Nevertheless, there are very good reasons to suggest that the trend will be ever upwards. The demand for resources seems destined to increase, numerous Chinese companies are in search of technologies and know-how through mergers and acquisitions, and buying into existing producers is seen by some Chinese producers as a good way of avoiding trade barriers.²⁴ Moreover, this is occurring under the official strategy of 'going global' (走出去 *zou chu qu*), which ensures that Chinese companies that have the right connections receive considerable support for their projects. Reforms to make it easier to invest overseas are ongoing, and the government is looking at ways to make it easier to support their companies overseas. In addition, the government has directly intervened to establish an

overseas investment agency supposedly based on the Singaporean Temasek model to invest some of its massive foreign exchange reserves overseas. Again, the search for resources is key here, but so too is the need to offset pressure for currency revaluation and to dampen inflationary forces by offsetting the inflow of currency. While there are likely to be considerable investments in Central Asia, Africa and Latin America in search of resources, it seems fair to assume that outward investment in the region will become ever more significant – and hopefully ever more transparent and calculable in the future.

6. CONCLUSIONS: OBSTACLES TO CHINESE REGIONAL LEADERSHIP

There remains considerable debate among security scholars over whether China's rise is a force for stability in the region or a source of inevitable conflict. Nevertheless, there is a consensus that the China factor is a key determinant of the region's future and that other key actors should develop policies with an eye to what China's response will be. There is also a general consensus that Chinese concern over US and Japanese policies in the region has driven China to embrace its East Asian nations and to embrace East Asian multilateralism. As such, the general advice from the academic community is that constructing a regional order might make things worse rather than better if it results in a more aggressive Chinese policy: aggressive in terms of the building of new alliances and perhaps even in the use of force. Far better to build a region that accommodates China's interests, but also to be prepared for a non-Peaceful Rise just in case. As Berger (2000: 428) suggests, 'create a benign and stable international security environment that on the one hand does not threaten China, but on the other hand is able to deal effectively with the security threats that do exist.'

In general, China is considered to be important and significant and increasingly powerful, but not yet a regional leader and not uniquely important, significant and powerful. Moreover, while it might be true that China's engagement of the region is threatening to diminish the power of others, most notably the USA, as Christensen argues (2006: 117), it has resulted in China engaging the region in a way that many previously considered unimaginable. The Chinese leadership has embraced multilateral relationships that were previously shunned, and have even promoted a (neo)liberal regional economic order through a free-trade relationship with ASEAN. What this suggests, then, is that in ideational leadership, China's position is not clear-cut. It is true that economic and military support for Burma shores up the government in Pyinmana and helps it resist

international pressure to reform and democratize. To say that it is promoting a model – the so-called ‘Beijing Consensus’ – is perhaps pushing things too far. Yet having China as an ally certainly strengthens leaders in other countries who do not want to accept liberalization economically or politically. However, at the same time, the tendency to focus on a zero-sum ‘China gains at the expense of the US’ perspective can hide the fact that these gains have been made by accepting dominant global norms of good old-fashioned multilateral diplomacy and liberal economics rather than challenging them.

Nor are China’s economic power and credentials for regional economic leadership wholly clear-cut either. In ideational terms, it is true that China has not followed the ‘shock therapy’ liberalizing prescriptions of the neo-liberal camp, and the Chinese economy remains far from a liberal free market despite the growth of the non-state sector.²⁵ But as noted above, the astonishing rise of China as a global economic force is in large part a result of embracing neo-liberal economic globalization and locating China within an existing economic structure. In material terms, the global activities of Sinopec and other energy-related companies are generating significant attention and concern. The purchase of IBM by Lenovo has promoted the profile of at least one Chinese company. But the overwhelming majority of goods that are bought in Europe and the US still carry brand names of European, American and East Asian companies, financed by outsiders and produced at the behest of outsiders. Indeed, although admittedly written before the boom in Chinese outward investment, Nolan (2003) has argued that one of the remarkable features of China’s rapid development is the lack of major international corporations with a global economic reach that have the same structural power that Japanese companies developed at a similar stage of development in the 1960s, and South Korean *chaebols* in some ways emulated in the 1980s and 1990s.

The Chinese government and Chinese companies are investing billions in research and development, and there is an apparently endless stream of Chinese delegations that are going overseas to buy technology, know-how and brands. So it must be highly likely that an indigenous Chinese economy will emerge in the future based on high skills, which does have the ability to project itself, and perhaps even to project ideas. But it is not there yet and there is nowhere near the power over regional (let alone global) production in China at the moment as there is in Japan. In short, producing cheaply may have altered the structure of the regional economy, but this does not equate to power and leadership *yet*, and China needs to move on and trade up. When China is the source of significant investment in the rest of the region and shaping production processes through means other than competitive production at the bottom end, then it really will be in a position to

enhance its power and leadership. In addition, perhaps a key long-term determinant of Chinese market power and Chinese regional leadership will be the extent to which the domestic economy grows to provide an ever greater gravitational pull on the region in the future.

So the focus on China perhaps underestimates the residual significance of Japan as both a regional actor and a determinant of future developments in regional institutions and organizations (Stubbs, 2002; Hennock, 2001). It is also unlikely (to say the least) that Japan will happily allow China to assume regional leadership unchallenged, or that major extra-regional actors – for which read the US – will do nothing. Here we return to the issue of conflicting and/or competing visions of East Asia identified at the start of the chapter and the establishment of the East Asian Summit (EAS). Unlike APEC, Russia, the US and the other states from the American continent are absent from the EAS, but the inclusion of India, Australia and New Zealand means that APT is not the only regional game in town. Not everybody in the region shares China's preference for an exclusive 'East Asian East Asia' region where troublesome concepts like democracy and human rights don't get in the way of economic cooperation. Moreover, other regional states (notably, but not only Japan) specifically want to stop China from achieving its regional objectives. Just as Chinese policy towards regional integration is partly designed to neutralize the power ambitions of others, so the EAS represents an attempt to neutralize Chinese power. This new vision of East Asia is essentially constructed to prevent the emergence of a Sino-centric APT regional organization, or even Chinese domination of an 'ASEAN Plus One' region. This idea is aptly caught by the statement of JETRO Chairman, Osamu Watanabe (2005), to an audience in Washington:

There was a difference of opinion among member countries on the concept and framework of the new summit and the East Asian community: It is my understanding that China and some ASEAN members insisted that the building of an East Asian community should be discussed only among the ASEAN Plus Three members. Japan and the other ASEAN members – out of concern that such a limited framework would allow China to expand its influence over East Asia – made the point of including India, Australia and New Zealand in the community.

Like APEC before it, the EAS is an 'anti-region' supplied in order to prevent the emergence of a regional community in an East Asian East Asia, that is an East Asia without Caucasians and an East Asia without the Indian sub-continent. A key argument in this chapter is that realities are often less important than perceptions, and perceptions of China's future power are already conditioning the way that others deal with China today. China is also developing strategies to enhance its real rather than just

perceived power in the region, though the evidence presented in this chapter suggests that this power is often overstated. Conversely, Japanese power and the ability to shape the nature of regional relations remains often understated in many analyses of the region and its future. Nor am I convinced that 'soft power' is as important as people like Kurlantzick (2006; 2007) suggest. As one Chinese scholar has suggested in interviews, the Chinese political system is 'a problem' rather than an attraction, and elites in the region are drawn to China first from necessity and second because of the way in which the global political economy is organized rather than through a desire to emulate the Chinese model. Important, yes, and powerful to an extent, but suggestions of Chinese regional leadership seem slightly premature to say the least.

NOTES

1. For the argument that as a result, military conflict with the USA is inevitable, see Bernstein and Munro (1998), Timperlake (1999), Gertz (2002) and Menges (2005). Mosher (2000) argues that China's centuries-old superiority complex is driving its strategy to return itself to its rightful place of global dominance, while Thomas (2001), and Babbitt and Timperlake (2006) suggest that China is willing to ally with radical Islam to find a means of overcoming the US. For the view that economic superpower status is here or inevitable, see Weidenbaum and Hughes (1996), Bacani (2003), Overholt (1994) and Murray (1998).
2. Probably the best known of Strange's works are *Casino Capitalism* (Strange, 1986), *States and Markets* (Strange, 1988) and *The Retreat of the State* (1996b). For a critique of her notion of structural power, see May (1996) and Strange's (1996a) reply.
3. Strange (1994) famously critiqued Krasner's reluctance to rethink the realist theory in an article entitled 'Wake up, Krasner! The world has changed'.
4. At the time of writing, only India had participated from the sub-continent and Taiwan had not been invited.
5. The phrase '韬光养晦, 有所作为' *taoguang yanghui, you suo zuo wei* literally translates as 'hide brightness, foster obscurity while accomplishing some things'. It is often translated as simply 'bide our time and build up our capabilities' – including in some official Chinese translations. But this translation does not include the idea of deliberately hiding real ambitions, and hence, so the argument goes, China is not only trying to obscure its real intentions, but also to obscure the translation of the paper where the obscurity is promoted!
6. Whiting (1995) also identified an 'aggressive nationalism' where an external enemy is identified that has to be dealt with for China's interests to be secured, something akin to an 'antagonistic contradiction' in Maoist terms.
7. See also Sutter (2005) and various chapters in Shambaugh's (2005) edited collection.
8. Not least because it legitimated the suppression of China's own (self-defined) Muslim terrorists.
9. There are some similarities here with how changing conceptions of the west as a single bloc after the Geneva conference changed China's international relations in the 1950s and 1960s, an interesting comparison but one that there is not time to go into here.
10. Goldstein (2005) also argues that 1996 was the key turning point, though his focus is on China's broader 'grand strategy' rather than just the engagement of East Asia.

11. This is a contested analysis with Fernald, Edison and Loungani (1998: 2–3) and Wu et al. (2002) finding no statistical evidence to support the case. But focusing on the region as a whole, or even individual countries, might be misguided. The Japan External Trade Organisation has disaggregated overall figures and analysed individual products. And these figures show that on a good by good basis, the rise in exports from China to the US and Japan of each commodity corresponds with a decline in exports of the same goods to the same markets from Malaysia, Thailand, Indonesia and the Philippines prior to 1997 (Hughes, 1999).
12. China had previously agreed in principle to only bilateral codes of conduct.
13. Astrid Nordin was awarded a Reinvention Centre scholarship at the University of Warwick to undertake research on Bo'ao in the summer of 2005. These scholarships are designed to give undergraduate students a taste of academic research, and this section reflects some of her findings, which for the time being remain unpublished.
14. For example, Rix (1993) and Blechinger and Legewie (2000).
15. Including re-exports to Hong Kong and then into China.
16. Cited in Sasuga (2004).
17. In addition to the work cited below, early work that has considered this investment includes Frost (2004), Frost, Hewison and Pandita (2002), Wu and Chen (2001) and Wong and Chan (2003).
18. I have explained the various problems in detail in a section of Breslin (2007: 8–13) entitled 'Methodological Problems: lies, damn lies, statistics and Chinese statistics (or never trust a statistic you haven't faked yourself'.
19. As Frost (2004: 10) points out, nor does it help when a single Chinese source seems to.
20. Yang and Tyers (2000: 5) suggest that despite the massive amount of FDI into China, there was actually a net outflow of capital from 1996–98 in the region of US\$30 billion.
21. Recent reforms are intended to reduce this round tripping by standardizing investment incentives. But the extent of round tripping since the beginning of the big boom in investment into China in 1993 to 2006 was probably between 25 and 30 per cent of the total. For details and different estimates and methods of calculation, see Breslin (2007: 110–12).
22. Koko Oo sadly died before the completion of his PhD at the University of Warwick on China's impact on Burma's development.
23. For a good accessible overview of the possible implications of China's demand for resources in general, see Zweig and Bi (2005). For the specific implications of China's oil diplomacy, see Lee (2005).
24. For example, interviews with representatives from the pharmaceutical engineering business association in Beijing in September 2007 revealed the extent to which they fear health, environment and safety issues becoming an increasingly effective way of keeping Chinese exports out of the major markets in Europe and North America. One of the tactics being pursued is to acquire productive facilities within these markets, which has the added advantage of providing access to technologies that meet internationally-set standards. In this industry at least, large expenditures on R&D in China have so far only been partially successful in raising standards to internationally competitive levels.
25. Much of this non-state sector remains very close to the state through many formal and informal means. Whether it can really be considered to be independent from the state even though it is formally in private ownership is discussed in detail in Breslin (2007: 70–81).

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8. Who's leading who in ASEAN–China relations? Community-building versus *Pax Sinica* in the management of regional security

Joern Dosch

1. INTRODUCTION: SOCIAL CONSTRUCTIVIST AND NEO-REALIST VIEWS ON REGIONAL ORDER-BUILDING

'Everyone wants ASEAN to be in the driver's seat of regional co-operation because ASEAN's leadership is more acceptable in the region than China's or Japan's'. This remark by Valérie Niquet, the Director of the Asia Centre at the French Institute of International Relations in Paris,¹ reflects the general perception that the key role in the search for, and maintenance of, multilateral arrangements in the region has been played by the Association of Southeast Asian Nations (ASEAN) ever since the organization took the initiative to apply its well-established model for regional security on a wider Asia Pacific basis in the early 1990s. ASEAN was founded in 1967 and is often referred to as the most successful regional cooperation scheme outside Europe. The ASEAN dialogue mechanism, a set of various forms of official and informal consultation, coordination and networking at different levels of decision-making worked effectively enough to produce peaceful conflict management. Perhaps the most valuable achievement of the ASEAN security model is that it has successfully managed to keep residual conflicts between the members (especially territorial disputes) from leading to armed confrontation. Recent developments suggest that the peace dividend of the so-called ASEAN way of regional cooperation might be successfully extended to relations between Southeast Asia and China. At least at first glance, empirical evidence seems to suggest that ASEAN has been successfully engaging China, thereby significantly contributing to order-building, security and stability in the Asia Pacific.

In November 2000, political leaders of the ten-member ASEAN and China agreed to strengthen economic cooperation and uttered the words 'free trade' for the first time. Since then academic analysis of relations between Southeast Asia and China has developed a strong emphasis on the proposed ASEAN–China Free Trade Area (ACFTA). Under the Framework Agreement on ASEAN–China Comprehensive Economic Cooperation, which was officially announced and signed in November 2002, ASEAN and China envision the liberalization of 99 per cent of their bilateral trade in stages: by 2010 for the ASEAN-6 and China; and 2015 for Cambodia, Laos, Myanmar and Vietnam (Fukagawa, 2005).

While most recent analyses deal almost exclusively with the economic implications of ACFTA, a sizable number of academic observers highlight the fact that the scope of the free-trade proposal goes beyond trade facilitation and tariff reduction (Sheng, 2003). According to this view, ACFTA is only one of various examples in China–ASEAN relations of regional security coming into play even in the absence of an explicit political discourse on security between the two sides. As a prominent Vietnamese observer put it, 'the political value of ACFTA is more significant than its economic benefits'.² The intensified building of economic institutions in Sino-Southeast Asian relations is expected to facilitate regional stability and security. States that trade with each other are less likely to go to war against each other. This liberal-peace hypothesis is of course almost as old as the study of international relations itself, and the ASEAN–China example seems to be just another empirical case to prove it. From this perspective, growing economic interdependence reduces the negative effects of anarchy and ultimately transforms the nature of international politics, moving it toward a 'trading world'. Interdependence, not insecurity resulting from anarchy, structures the behaviour of states in the international system (Rosecrance, 1986). The most popular incarnation of the liberal-peace argument in the study of Asian security follows Karl Deutsch's early work on the building of security communities. According to Deutsch (1957), historical evidence suggests that stable and peaceful inter-state relations are the result of quantitatively and qualitatively increased transnational activities in multiple areas (such as cross-border trade, investments, telecommunications and travel) and related intergovernmental institution-building. If cross-border transactions continue to increase they will eventually reach a level of institutionalization at which military conflict between states becomes highly unlikely. At this point a *pluralistic security community* has emerged, characterized by the general absence of war as a possible means of problem-solving in inter-member relations. Instead, states 'will settle their disputes in some other way' (Deutsch, 1957: 5).

A rich (and growing) body of literature identifies ASEAN as a pluralistic security community given the organization's four decade-long track record of having managed relations among member states in (mostly) non-confrontational ways. However, in this discourse Deutsch's (1957) functionalist approach to institution-building is replaced by a social-constructivist model of identity formation. It is based on the idea that a collective identity has merged among ASEAN members. ASEAN would thus be best described as 'some sort of [an] imagined community, preceding rather than resulting from political, strategic, and functional interactions and interdependence' (Schirmer, 2006: 327–8). For Acharya (2001), common vulnerability, shared consciousness, a 'we-feeling', adherence of regional elites to the 'ASEAN way', and a norms-creating culture are the main pillars of this collective identity that generates the ASEAN community. The quintessential social-constructivist message is simple: 'community enhances security: this is agreed' (Schirmer, 2006: 328).

When the process of ASEAN identity formation seemingly expanded into the wider East Asian or Asia Pacific region, academic analysis followed suit: the focus is now on East Asian community-building and the assumed effects are similar to the observed empirical reality within Southeast Asia. The more the idea of community takes hold in East Asia, the more stable and secure the region will become, so the argument goes. China's integration in such a community is seen as key to the emergence of a peaceful international order, and ASEAN has regularly received credit for its leadership abilities and presumed success in engaging China in a growing network of regional consultative forums such as the ASEAN Regional Forum (ARF), the ASEAN Plus Three Meeting (APT), and the East Asian Summit (EAS).

A liberal peace may or may not be in the making in ASEAN–China relations. For the time being a closer look at the empirical evidence suggests that community-building and identity formation are not the driving forces behind growing regional stability but rather mask, or perhaps ease, the effects of China's increasing international pre-eminence. From a neo-realist perspective it can be argued that relative order and peace in the formerly war-prone region have not derived from ASEAN's leadership in engaging China but are mainly due to the rising concentration of Chinese power in Southeast Asia. The underlying hegemonic stability theory suggests that when one state possesses considerably more economic, military and political power resources than the other states in a system of states, it can use that power to coerce the other states or provide them with selective incentives in order to induce cooperation (see Chapter 13 for further discussion on this). In this manner, the dominant state, or hegemon, increases the costs of defection and decreases the risks of cooperation, thereby making peace and stability possible (Ripsman, 2005).

This chapter argues that while the management of security and ultimately order-building in ASEAN–China relations are loosely embedded in a declaratory process of community formation that has generated generally beneficial soft institutions in economic and other policy areas, the current state of relative regional peace is primarily attributable to China's role as a hegemonic stabilizer in the making. The People's Republic of China (PRC) increasingly exerts leadership by setting the rules and organizing a growing network of security-relevant relationships in both traditional and nontraditional security fields. Just as in the cases of *Pax Britannica* and *Pax Americana*, the (re-)emerging *Pax Sinica* is characterized by the creation and enforcement of rules that favour the dominant state at the centre of the security order. At the same time the policies of China as a hegemonic power on the horizon also bring security benefits to the states in its zone of influence. Thus, hegemonic stability in the case of China and ASEAN potentially takes the form of a positive rather than a zero-sum game.

Hegemonic stability can only emerge and be institutionalized if the dominant regional power is willing to assume the responsibilities associated with it, is capable (in material terms of both hard and soft power) of establishing primacy, and is acceptable as a regional leader in the eyes of the subordinated states (see Chapter 13). The following two case studies will show that all three conditions are present in ASEAN–China relations. The first case will look at the management of traditional security with reference to the disputes in the South China Sea. The second case elaborates on nontraditional security based on the example of the Greater Mekong Subregion (GMS). The conclusion further discusses the finding that the acceptance of China's strategic approach to regional security management has grown among key political elites in ASEAN. A hegemonic stability approach to the management of regional security has to meet the precondition that both the actor who leads and the actors who are being led share compatible views and perceptions of the dimensions and dynamics of security. If there is no general agreement on what constitutes security, security can hardly be managed. Hence, the following first section briefly discusses the way the idea of security has changed in the Asia Pacific and explains that both China and ASEAN broadly agree on the overlapping and interacting nature of traditional and nontraditional security complexes.

2. THE NEW ASIA-PACIFIC SECURITY AGENDA

What exactly is security and how does it come about? Security is not the product of any predictable rules. It depends on individual threat

perceptions, differs greatly according to an actor's status and position within the international system and, most importantly, is subject to interpretation. Historically, security was understood in terms of threats to state sovereignty and territory. During the Cold War and particularly after the Vietnam War, it was generally thought that any further serious armed conflict in Southeast Asia would take place either as the result of conflicts between the great powers or their clients or due to unresolved territorial and border disputes, for example between Malaysia and the Philippines over the status of Sabah. While many territorial conflicts still remain unresolved, the overall security threat to the region has changed substantially since the late 1980s. At the same time, globalization has produced a simultaneous emergence of localization with more emphasis on local issues and revival of traditional local or intra-national conflicts, which had been suppressed by the ideological divide of the Cold War and nuclear deterrence. Such tensions inevitably impact regional stability.

Among the most important contributions to the post-Cold War discourse on security is the concept of human security. To many the idea of human security not only presents a useful alternative to the traditional concept of security (understood in military terms as the absence of a physical threat to the sovereignty and territorial integrity of the state) but also is a welcome departure from the rather narrow debate on human rights that had emerged as one of the central soft-security rallying points in international relations in the immediate aftermath of the Cold War (Sudarsono, 1996). As fostered by the United Nations Development Programme (UNDP), human security usually means freedom from fear and want, or more specifically 'protection from the threat of disease, hunger, unemployment, crime, social conflict, political repression and environmental hazards' (UNDP, 1994: 22–3). While the UN deserves credit for promoting the concept of human security, the idea as such was not a new one in 1994. A few years earlier Barry Buzan had already emphasized that 'the security of human collectives is affected by factors in five major sectors: military, political, economic, societal and environmental' and discussed in detail the notion of individual security (Buzan, 1991: 19). Security in a traditional sense can be understood as a top-down approach, which is associated with protection of the state from physical or ideological subversion. "Human security", by contrast is a bottom up approach: what matters is the people and their well-being' (Evans, 1999: 59)

The idea of human security – and in a broader sense nontraditional security (NTS) – rapidly moved to occupy centre stage in discussions of foreign policy and made its way onto the agendas of the European Union (EU), the United Nations, the Group of Eight (G8), and eventually international

organizations as well as individual actors in the Asia Pacific. During the late 1990s, Japanese Foreign Minister and later Prime Minister, Keizo Obuchi, referred to the concept of human security in many of his speeches and defined it as 'the keyword which encompasses the notion of arresting all the menaces that threaten the survival of daily life and dignity of human beings' (Hoshino, 1999: 43). Regional problems such as the 'haze' pollution crisis of 1997–1998,³ and particularly the 1997–1998 East Asian financial crisis, highlighted the need to look beyond the traditional notion of security. In Southeast Asia the change of perspective on security became particularly visible at the Fifth ASEAN Regional Forum (ARF) meeting held in Manila in July 1998, where the organization's foreign ministers discussed the economic crisis in great detail and arrived at the conclusion that poorly designed reforms could negatively affect less privileged sectors of society and undermine the peace and security of the region. In China, where 'academics and government bureaus are both interested in and puzzled by NTS issues, and . . . beginning to put more natural and human resources into dealing with them', the debate dates even farther back (Burke, 2001: 218). The 1970s, when Chinese intellectuals responded to the Japanese idea of comprehensive security, may be considered the first serious conceptual attempt at redefining security in international relations since World War II (Wang, 2005: 2).

The discourse took more shape around 2003 with the book *On Nontraditional Security*, published by the China Institute of Contemporary International Relations. This publication covers 17 phenomena that can be regarded as NTS issues (Lu, 2003). The significance of NTS was officially recognized in the China National Defence White Paper of December 2004. The paper especially stresses that traditional and nontraditional security issues are intertwined with the latter, posing a growing threat (State Council Information Office, 2004). A rapidly growing number of nontraditional security complexes has appeared on the radar screen of policy-makers in both ASEAN and China and has started to have an impact on regional security. The agenda includes environmental deterioration; growing pressures on natural resources; developmental policies; the broad field of democracy and human rights; legal and illegal migration and resulting ethnic tensions; increasingly violent criminal acts, prostitution, and people smuggling; drug trafficking; piracy; increasing gaps in wealth and income within and between neighbouring regions in part as a result of international and transnational economic exchanges; mismanagement of national economies and their vulnerability to the intensifying forces of globalization; and separatism, insurgencies and terrorism.⁴

As happened worldwide, events since the 11 September, 2001 terrorist attacks on the United States probably have had the most dramatic impact

on security perceptions in Southeast Asia. The perceived spillover of the war on terror to the region led to the view that the manifold and devastating impacts of terrorism are among the most decisive non-traditional security challenges. It should be noted, however, that not all agree with the inclusion of terrorism on the NTS agenda. According to the deputy director of the Southeast Asia Regional Centre for Counter-Terrorism (SEARCCT), 'terrorism is very much related to traditional security issues and dealt with as part of defence policy'.⁵ But this is more a problem of definition than of substance. Ultimately, as the Copenhagen School has taught us, any issue can be constructed as an existential threat as the result of a multi-step process to which Buzan et al. (1998) assigned the term 'securitization'. Critics have questioned the practicability of addressing as security issues those that range so widely – from developmental agendas to problems of governance – and have stressed that NTS was simply too broad a concept to be a useful analytical tool. Yet it is precisely because of the broad definition of NTS and its stress on the well-being of humanity as a whole that the idea of non-traditional security 'has an important political appeal that can transcend national boundaries' (Anwar, 2003: 541).

To be sure, the emergence of a broader security culture that increasingly includes non-traditional elements does not mean the disappearance of 'hard' security issues such as the crisis on the Korean Peninsula, the conflict-ridden Sino-Japanese relations, or the territorial disputes in the South China Sea, particularly over the Spratly Islands. Neither does the discourse on NTS imply any decline in the importance of hard-security thinking among the region's armed forces. As a senior official of the Malaysian Ministry of Defence put it, 'NTS is a major concern, but we would not compromise on traditional security capabilities'.⁶ However, the views on NTS among the armed forces of Asia vary. While there is a tendency among the Malaysian military to cling to the view that 'non-traditional security is not our job', there seems to be a greater openness among the armed forces of Indonesia and – to give two examples from South Asia – India and Pakistan to deal with new non-military security challenges. According to an Australian officer, NTS is first and foremost a political issue, but if politicians labelled an issue as a threat to security, the military would inevitably get involved, for example with regard to illegal migration in Australia's case.⁷ Although a consensus on the ultimate relevance of NTS as both a political and military issue has yet to emerge, governmental actors both in ASEAN and China increasingly perceive traditional and nontraditional security as two sides of the same coin.

3. THE ASEAN WAY: FRAMEWORK FOR REGIONAL LEADERSHIP?

For the past four decades or so the management of security, both in its traditional and increasingly nontraditional forms, has mainly been shaped by two complementary structures: American primacy and the 'ASEAN way' of informal consultation and inter-governmental consensus-building. Nested within the overall structure of a US-enforced and sustained regional security order that has basically been in place since the late nineteenth century, only briefly interrupted by Japan's attempted creation of a 'Greater East Asian Co-Prosperty Sphere', ASEAN had been successful in creating leverage over the management of security relations within Southeast Asia. But this success depended on staying clear of the immediate national-security interests of the United States. At least until the 1997–1998 East Asian financial crisis, the management of inter-regional relations by means of informal network-building and soft institutionalization of norms and rules, in short the so-called ASEAN way, worked very much to the region's advantage. At the core of ASEAN's diplomacy and order-building in Southeast Asia stand six norms: sovereign equality; the non-recourse to use of force and the peaceful settlement of conflict; non-interference and non-intervention; the non-involvement of ASEAN to address unresolved bilateral conflict between members; quiet diplomacy; and mutual respect and tolerance (Haacke, 2003: 1).

While ASEAN cannot claim to have resolved any conflict in the region, at least not single-handedly, the group's strength and success were defined in terms of conflict management and conflict avoidance based on the six norms. In this way ASEAN fits Deutsch's (1957) definition of a security community, since probably no ASEAN member would seriously consider the use of military force as a means of solving disputes within the region. ASEAN successfully managed to keep the residual conflicts between the members, especially territorial disputes, at a low level, if one discounts occasional skirmishes along the Thai–Burmese border. In the post-Cold War regional order the ASEAN way has been the backbone of multilateral dialogue diplomacy. It has taken shape in the various multilateral groupings mentioned earlier, such as APEC, ARF and EAS.

However, in recent years the securitization of politicized issues, to use the terminology of the Copenhagen School, or in short the rapid broadening of the non-traditional security agenda, has demonstrated the limits to ASEAN's regional order maintenance based on its traditional approach to diplomacy and community-building. The limitations became apparent both on 'soft' security-relevant issues, such as the 1997–1998 East Asian financial crisis and trans-border problems such as haze pollution, avian flu

and terrorism, and on 'hard' security issues such as changing power relations in the Asia-Pacific, the disputes in the South China Sea, and unresolved border and territorial conflicts. This is where China enters the scene. On the one hand, the PRC's foreign policy since the early 1990s is characterized by a gradual acceptance of a multilateral approach towards Southeast Asia and a more vigorous approach to multilateralism at both the international and regional level (Hughes, 2005; Keith, 2004).

On the other hand, there can be little doubt that Beijing is challenging ASEAN's trademark role as the architect of multilateral cooperation in the post-Cold War Asia-Pacific and, partly as the result of ASEAN's weaknesses and partly due to China's quest for pre-eminence, has more and more assumed the position of first among equals in the existing multilateral frameworks. While China's active integration in multilateral activities has seemingly improved Sino-ASEAN relations, relative stability and peace between the two sides are not primarily the result of institution-building and community formation, an eastward extension of the ASEAN way of diplomacy, or indeed an emerging liberal peace deriving from tighter networks of economic cooperation. As the first case study on the South China Sea disputes demonstrates, China is increasingly assuming the role of a hegemonic stabilizer that sets the rules because this role is perceived as being favourable to the enhancement of the PRC's national interest. Furthermore, and equally important, Beijing's leading role as a manager of security is acceptable to key players in disputes, such as the governments of Vietnam and the Philippines, which have already started to act outside the structures of ASEAN institutions.

4. THE CHINA FACTOR I: THE SOUTH CHINA SEA DISPUTES

In many ways the dispute over the South China Sea is typical of the post-Cold War security situation in East Asia in general. As both the US-Soviet and Sino-Soviet competition lost their significance, territorial disputes, which received little attention during the Cold War, re-emerged. The Spratlys are a collection of mostly barren coral reefs, atolls and sand bars, many of which disappear at high tide, covering an area of some 70 000 square miles. This area is claimed, in whole or in part, by China, Taiwan, Vietnam, Malaysia, Brunei and the Philippines. The other major area of dispute in the South China Sea concerns the Paracels, which are claimed by China and Vietnam. With the exception of Brunei, all of the disputants maintain a military presence on some of the islands. Since 1978, when the Philippines set out its Exclusive Economic Zone formally including the

island of Kalayaan claimed by Manila, the parties in the dispute have held generally consistent claims. However, the controversy itself lay relatively dormant until 1988 when China and Vietnam clashed over Fiery Cross Reef. Since then hostilities in the South China Sea have regularly erupted, most prominently between China and the Philippines. The Philippines considers China's occupation of Mischief Reef in 1995 and repeated Chinese incursions into Scarborough Reef since 1997 as direct assaults on the Philippines' territory (Odgaard, 2004).

Although a resolution of the disputes is not in sight, the ASEAN Declaration in the South China Sea of 1992 (signed by China in 2002) is often praised as a first step toward a peaceful settlement. Though non-binding and from a formal institutional point of view not even a code of conduct, politicians and many scholarly observers alike hope that the agreement will nevertheless oblige the Southeast Asian claimants and China to avoid any activity that would damage or complicate their relations. In a very optimistic neo-liberal institutionalist scenario the declaration constructively contributes to the avoidance of armed clashes among the parties over their conflicting claims on the sovereignty of the Spratly Islands (Cheng, 2004).

One has to remain sceptical, however, that ASEAN's multilateral approach based on consensus-building and voluntary, non-binding commitment to the principle of non-use of force will provide a sustained institutional framework for security management, particularly since the Declaration on the South China Sea lacks any specific provisions on how to resolve the conflict. Sharpe (2003) argues that ASEAN has not been able to establish sufficient leverage in seeking a wider code of conduct with China. The more effective strategy of maintaining peace in the South China Sea is based on bilateral and multilateral negotiations initiated and facilitated by the PRC. Most importantly, Vietnam signed a land border treaty with China in 1999, and another treaty on the demarcation of the Gulf of Tonkin in 2000 that came into effect in June 2004 after more than three years of negotiations on how to implement the agreement. These treaties have narrowed down the scope of territorial disputes at least between these two countries relating to the Paracel and Spratly archipelagos.

A growing number of member states perceive ASEAN as a golden cage that, unlike during Cold-War days, does not necessarily serve their respective foreign policy and foreign economic policy interests to the fullest possible extent. Singapore, Thailand, and to a slightly lesser degree Malaysia and Indonesia do not necessarily feel constrained any more by ASEAN as far as the conduct of their foreign affairs is concerned, and have emancipated their foreign policies. There is a growing perception among Singapore's foreign policy-makers that no matter how much ASEAN

develops from an institutional point of view, 'it will not be enough for Singapore'.⁸ The 'golden cage' perception is particularly relevant in the case of Vietnam's strategy vis-à-vis China with regard to the Spratlys. Hanoi remains sceptical that the ASEAN way of diplomacy and the vision of community-building based on it will provide a suitable institutional framework for conflict resolution. ASEAN lost its former significance in enhancing Hanoi's position in the South China Sea disputes when the Philippines jumped on the Chinese bandwagon in September 2004 at the expense of Vietnam.

During Philippines President Gloria Macapagal Arroyo's visit to China, Manila and Beijing signed an agreement for joint marine seismic exploration in the South China Sea for possible undersea oil. Vietnam joined the agreement in March 2005, when the Vietnam Petroleum Corporation (PetroVietnam), the Philippines National Oil Company (PNOC), and the China National Offshore Oil Corporation (CNOOC) finalized a tripartite agreement in Manila to jointly exploit oil and gas resources in the South China Sea. Philippines Foreign Minister Alberto Romulo and Vietnamese Foreign Minister Nguyen Dy Nien praised the deal as a significant measure to strengthen ASEAN-China cooperation and possibly pave the way for settlement of the South China Sea dispute. Beyond the political rhetoric, the agreement does not reflect core ASEAN values and norms but rather reflects a new strategic setting in which the Southeast Asian claimants compete for the most favourable bilateral or multilateral agreements with China as the driving force behind the creation of regional order. This perception corresponds with the views of a Chinese government official who was involved in the negotiations.

When we signed the agreement with the Philippines in 2004 it meant that Vietnam had fallen behind. And although Vietnam joined the agreement later, we are still more advanced in our negotiations with the Philippines. We are also speaking to Malaysia but these talks are less developed than those with the Philippines and Vietnam. A very important achievement in our relations with Vietnam is our joint manoeuvres with the Vietnamese navy in the Beibu [Tonkin] Gulf.⁹

In late April 2006 the Chinese navy began its first ever patrols with a foreign ally, sending ships to patrol with Vietnamese warships in the Gulf of Tonkin. According to the Chinese Ministry of National Defence, the joint patrols were intended to strengthen joint cooperation and maintain security of fishing fleets and oil exploration. Furthermore, in the wake of an apparent pirate attack on a Chinese fishing vessel in the Spratlys in the same month that left four crewmen dead and three wounded, China, the Philippines and Vietnam announced plans to strengthen security

cooperation in the Spratlys to address piracy, smuggling and transnational crimes. So far the emphasis of the Vietnamese and Philippines governments on bilateral and trilateral diplomacy in the South China Sea, particularly in relations with China, has not been in open contradiction to collective ASEAN approaches. Yet this diplomacy takes place outside the ASEAN framework and is a visible indication of a bandwagoning approach towards the PRC. Hanoi's and Manila's foreign-policy efforts might even place the countries in the South China Sea dispute in a more favourable position vis-à-vis China than some of their fellow ASEAN members, especially Malaysia, resulting in a challenge to ASEAN solidarity and community-building.

5. THE CHINA FACTOR II: THE GREATER MEKONG SUBREGION (GMS)

The end of the Cold War terminated the existence of those international structures, in terms of both power and ideology that had prevented neighbouring states from engaging in meaningful cross-border cooperation. The joint management of common resources and confrontation of nontraditional security challenges now became possible. While some conflicts, most prominently tensions on the Korean Peninsula, have resisted any structural change, the Mekong valley is a case in point for a presumed window of opportunity that opened for the creation of a sustained liberal-peace structure built on economic cross-border cooperation and the enhancement of a common sub-regional identity. The Mekong River is the world's 12th-largest river and Southeast Asia's longest waterway. It originates in Tibet and flows through the Chinese province of Yunnan before continuing southwards, touching the territories of six countries (China, Myanmar, Laos, Thailand, Cambodia and Vietnam) and ending in the South China Sea. China's participation in the GMS was confined to Yunnan province until mid-2005 when Guangxi province officially became a GMS participant. The Greater Mekong Subregion (GMS) covers some 2.3 million square kilometres and contains a population of about 245 million.

For many decades explorers, traders and more recently politicians have seen the Mekong valley as a natural geographical region whose peoples not only shared the resources of this mighty river, but also some distinctive cultural features. The post-World War II history of cooperation within the Mekong valley dates back to 1957 when the Mekong Committee was established at the initiative of the UN Economic Commission for Asia and the Far East (ECAFE) and four riparian countries of the lower Mekong Basin (Cambodia, Laos, Thailand and South Vietnam). The principal policy

goals of the Mekong Committee were to tackle the pressing problems of poverty and political instability along the lower river basin and to promote peace, progress and prosperity through the effective joint utilization of the Mekong's resources. For more than three decades, however, the implementation of sub-regional integration was halted by the prevalence of Cold War structures, or more accurately 'hot wars' and armed conflict, in the region. The process only gained momentum in 1992 when, with the assistance of the Asian Development Bank (ADB), the six riparian states of the Mekong River entered into a programme of formalized sub-regional cooperation.

The GMS Programme has been directed to the management of non-traditional security arenas such as the facilitation of sustainable economic growth and improvement of the standard of living in general and the management of environmental and energy security in particular. The sustainable utilization of water and natural resources in the Mekong basin is directly and inevitably linked to human survival in the region. The Mekong River valley is the second richest in biodiversity among the world's river basin areas. Between 45 and 50 million people are employed in the agriculture sector. Rice is the most important crop, but fisheries follow rice cultivation almost invariably (Myint, 2003). The river basin has long experienced flooding, salt-water influx, depletion of forests, deterioration of groundwater, water pollution and other problems. Energy security is mainly related to the promising but not uncontroversial issue of hydroelectric power. Compared with rivers of a similar size like the Nile and the Mississippi, the Mekong is still relatively untouched.

The first Mekong bridge (between Thailand and Laos) was only opened in 1994 and the first mainstream dam, the 1500 megawatt Manwan Dam, was only completed in 1995 in Yunnan. Since then the development of hydropower has been among the main priorities of the GMS project. While emerging cross-border cooperation on central NTS complexes seems to represent an important value and achievement in itself, liberal institutionalists stress the related general effect on regional peace and stability. Many analysts agree that the existence of sub-regional cooperation per se has contributed to a more peaceful and stable regional situation in the Mekong valley (see Dosch et al., 2005). According to Than (1997), 'the political benefits of ADB-led GMS co-operation are enormous . . . there is now peace and stability in most of the subregion, where this has rarely existed' (p. 297).

However, as in the case of ASEAN, which seems to have contributed to the avoidance of military conflict among its member states by simply existing, it is difficult to establish a strong empirical link between cooperation in non-security areas and regional stability and peace. Has the Mekong

transformed from a 'Cold War front line into a flourishing corridor of commerce', bringing the sub-region closer to a liberal peace? (Bakker, 1999: 209–10). If we again apply Deutsch's (1957) concepts, can we assume that the GMS facilitates a structural framework for growing cross-border economic exchange that in turn contributes to the emergence of a sub-regional pluralistic security community based on the ASEAN Way? The only remotely credible empirical support can be found in Sino-Thai relations. Increasing trade between the two countries is mainly the result of the two governments' strategies of using the GMS as a framework to develop the upper Thai North and Yunnan province respectively.

According to official Thai sources, the trade volume between Thailand and Yunnan province grew more than seven times in recent years, starting from a very low level. However, trade between Thailand and Southern China via the Mekong River still stands at a mere 1 per cent of the total volume of Sino-Thai bilateral trade (Siriluk, 2004). Other evidence for community-building based on substantial economic transactions within the GMS is absent. For instance, the Kunming National Economic and Technology Development Zone in the capital of Yunnan province has not benefited from its potentially favourable geostrategic location within the GMS as far as intraregional foreign direct investment (FDI) is concerned. While officials of the zone's investment promotion bureau stress that the 'main emphasis of the GMS is to attract foreign investment', of the nearly 600 companies registered in the zone, none is from other GMS states.¹⁰ An exclusively Thai investment project was discontinued when it failed to generate any profits. The low level of intra-GMS FDI flows is partly related to the underdeveloped road infrastructure.

Various ambitious ADB projects will improve the situation and are expected to result in a regional network of rehabilitated and new highways and bridges (the East–West and North–South corridors) linking the GMS states to an extent never seen before in the Mekong valley's history. Yet a far-reaching improvement of the infrastructure will not eliminate the immense development gap within the GMS: there is no Cambodian, Laotian or Burmese money to be invested in Yunnan province or other GMS states. Even in relations among the 'big three' entities (that is Yunnan, Vietnam and Thailand), FDI flows mainly come from China but not into it. Overall, the GMS framework does not involve the private sector and other non-governmental actors at any noticeable level, thus making it difficult to substantiate any liberal-peace vision, either from a functionalist or a social-constructivist angle. At the same time it would be inaccurate to suggest that processes of identity formation and community-building have not taken place. As a new phenomenon in the sub-region and clearly linked to the general aims and goals of the GMS, epistemic communities have

emerged among scholars of the six GMS countries – mainly, however, comprising Chinese, Thai and Vietnamese academics. They regularly exchange views and conduct joint research that addresses socio-economic challenges such as cross-border migration, HIV/AIDS, poverty and the sustainable management of natural resources.

In addition, the provincial government of Yunnan has initiated various bilateral projects on agricultural cooperation in its border regions. More than 1 500 participants from Thailand, Laos and Vietnam have gone through joint training programmes. Within the Greater Mekong Subregion's thin institutional structure, the Mekong Institute in Khon Kaen (Northeast Thailand) stands out as 'a good platform where government officials from all GMS members get to know each other, resulting in greater understanding and increasing levels of trust and confidence among the governments in the region'.¹¹ Since 1996, the Mekong Institute has run training courses for state officials and business people from GMS countries. The institute was set up and has since been funded with official development assistance from New Zealand. However, funding was limited to ten years and terminated in 2007 when the national governments of the GMS states were expected to take over the financial responsibilities for the institute.

On balance, community-building and identity formation in the GMS are at a very early stage and have not generated any commonly agreed norms and rules that would be able to structure and channel the actions of governmental actors. Even track II cooperation among non-governmental actors (mainly scientists) is still in its infancy. According to academics interviewed for this study in Southeast Asia and Yunnan, cross-border scientific exchange is not a straightforward process and often is made difficult by prevailing mistrust, problems of communication, and lack of information. The latter is related partly to the fact that key research documents are not available in English but just in one national language – normally meaning Chinese, Thai or Vietnamese – and therefore are not accessible to scientists from the other countries.

With international conflicts over river water becoming more frequent, there is concern that the Mekong could become a serious source of tension unless the six states can agree on rules for developing the river. The most valuable achievement to reduce the potential for conflict is a technical cooperation agreement achieved in 2002 between China and the Mekong River Commission (MRC, founded in 1995), grouping Thailand, Cambodia, Laos and Vietnam. The agreement commits China to sending 24-hourly water level and 12-hourly rainfall data to the MRC to help forecast floods. The design of an early flood warning strategy ranks very high on the agenda of both policy-makers and international donor organizations. While China has duly provided the required information

since the agreement's implementation in 2003, other key data – most decisively on water quality and pollution – are kept strictly confidential. Various attempts by the lower Mekong states, particularly Vietnam, to get access have failed.

On issues that would impact national decision-making authority, such as dam building in the Chinese stretch of the Mekong, China steadfastly refuses to share information. The uncoordinated construction of power plants and irrigation systems by the upper Mekong countries, particularly China, which plans to build more than a dozen power plants (although on the Mekong's tributaries and not the main stream), poses a serious challenge to sub-regional stability. The construction could result in a potentially explosive competition for water resources between the upper and the lower Mekong states. Politicians and senior officials from the lower Mekong states – mainly Thailand, Vietnam and Cambodia – have regularly expressed concerns about China's proposed dam-building activities, albeit more indirectly and in private than openly and in official inter-governmental meetings. Some perceive China's ambitious hydropower plans as a zero-sum game in which the PRC's economic gains would be paid for by the lower Mekong states' environmental costs, such as falling water levels, declining fish stock (for example, in Cambodia's Tonle Sap), and rising salinity levels (for example in Vietnam's agriculturally indispensable Mekong Delta).

As in the case of the Spratly Islands, the management of security in the GMS first and foremost follows China's blueprint for order maintenance based on its national interest. GMS cooperation is a core element of Beijing's policy outlook. Official Chinese interests in the Mekong region can roughly be divided into two realms of importance: domestic and foreign policy. The domestic interest consists of the development of China's landlocked Western provinces and the promotion of border trade with the adjoining countries of Myanmar, Laos and Vietnam. A further domestic strategy aims at narrowing the gap between the ethnic Chinese Han population and ethnic minorities. Furthermore, the government envisions that an economically emerging west will reduce internal migration from Western China to the booming coastal cities. In a more general strategic sense, Beijing seeks to put its relations with Southeast Asia on an amicable basis in order to counterbalance US influence in the region (Dosch and Hensengerth, 2005). The GMS structure suits the PRC well as the Greater Mekong Subregion is not an international organization or even an international regime characterized by norms, principles, rules and procedures to which members commonly adhere. Rather, the GMS is a loose framework for development cooperation facilitated and driven by the Asian Development Bank.

The Chinese government considers the ADB a safe international actor, since the bank (unlike other development organizations) strictly adheres to the principle of non-interference into its members' internal affairs. At the same time, the PRC has rejected invitations to join the MRC, which provides an institutionalized framework for the sustainable development of the Mekong River basin. China (like Myanmar) has been a 'dialogue partner' of the MRC since 2002, but full membership is not on the agenda as this would potentially restrict China's policy options in the sub-region (Backer, 2007). Equally important, Beijing perceives the MRC as a Western- and Japanese-dominated organization, since 19 extra-regional states (including Japan, Australia, the United States, Germany, Britain and France), the European Commission, and multilateral organizations such as the World Bank and the UNDP participate in funding and administering it.

The PRC is able to play a *de facto* hegemonic role in the Mekong valley, partly because it imposes its will on the lesser states in terms of setting the stage for, but also the limits to, cooperation, and partly because the other members benefit from and accept China's leadership. Energy security offers a good example of the emergence of reciprocally beneficial linkages between the hegemon and the states in its zone of influence. Since September 2006, China has been supplying electricity to Vietnam through a cross-border 220-kilovolt power transmission line to ease Vietnam's chronic power shortage problems. Further transmission lines are under construction or being planned. China – through the state-owned company, China Southern Power Grid – is also involved in the building of electricity generation facilities in Vietnam, Laos and Myanmar, enabling the Southeast Asian GMS members to deliver electricity to China's Western provinces when it will be much needed in only a few years' time to further fuel rapid industrialization.

Other carrots for its GMS neighbours include Beijing's bankrolling of the Burmese junta – and while Myanmar's military government cracked down on peaceful protesters in September 2007, China, as one of the regime's main benefactors, was being held in some quarters as tangentially co-responsible for the violence (Berger, 2007) – and the offer of US\$600 million in 'no strings attached' loans to Cambodia, an amount that equals the total of development assistance pledged by the rest of the world to that country. As summarized by the *New York Times*, 'China is making big loans for big projects to countries that used to be the sole preserve of the World Bank, the Asian Development Bank, the United States and Japan.'¹² With the rapid growth of its economy, China has become increasingly involved in Southeast Asia's traditional security affairs as well. It has established military links with Thailand, the Philippines, Indonesia, Singapore,

Myanmar, Cambodia and Malaysia. This extends not only to military aid and loans, bilateral talks on military issues, joint production of military equipment, and joint training exercises; it also includes participation in regional security forums and the signing of defence memoranda of understanding (MOU).

6. OUTLOOK: SOUTHEAST ASIA'S GROWING ACCEPTANCE OF CHINA AS AN EMERGING REGIONAL LEADER, IF NOT HEGEMON

While concerns over China's use of the Mekong's resources have not been entirely eliminated, as explained, the perception among Southeast Asian elites that ASEAN and China share the profits of security management in an overall situation of a positive-sum game has been growing. By making use of existing arenas for bilateral and multilateral interactions in both traditional and non-traditional security fields, or by establishing new channels, China as the dominant state has increased the costs of defection and decreased the risks of cooperation within the region's international system. Thus, hegemonic stability (at least in a preliminary sense), and not primarily regional identity formation and ASEAN-driven community building, has fostered peace and stability. Only at first glance has ASEAN succeeded in integrating China into a collaborative framework of multilateral cooperation based on the ASEAN way of diplomacy. A closer look reveals a reversal of the subject and object roles: China *has integrated ASEAN* into a regional order that, while not hostile to multilateralism, mainly reflects hard strategic thinking on Beijing's part and is primarily based on rules established by the PRC. Unthinkable only a decade ago, the acceptance of regional Chinese leadership in the management of security has grown. Lower-ranking ASEAN diplomats have begun turning to Chinese colleagues for guidance during international meetings. A senior diplomat commented after a meeting between Chinese and ASEAN senior officials: 'I was struck by how naturally, even at the working level, the other Asians looked to China and how naturally China played that role'.¹³ Only a short while ago, Chinese diplomats were viewed as outsiders by their Southeast Asian counterparts.

Consider for example ACFTA, which shows China's increasing leverage over the international relations of the Asia Pacific. Chinese Premier Zhu Rongji first proposed a trade agreement at the ASEAN-China summit held in November 2000 in response to the 1997-1998 East Asian financial crisis and regional concerns about the impact of China's then imminent WTO membership. Yet this proposal 'also arose out of an acute sensitivity toward

the need to maintain relations with as many states as possible in order to constrain American power under a global system defined by the struggle between “one superpower, many great powers” (Hughes, 2005: 127). While it will be difficult for both sides to agree on the concrete terms of such a free trade agreement (and implement them) due to the competitive nature of China’s and ASEAN’s external trade structures, as senior officials involved in the negotiations between ASEAN and China admit, the general political value of the project is obvious.¹⁴

Since China’s admission into the WTO, the proposed FTA has further contributed to the enhancement of Beijing’s position as a pre-eminent regional power, not only in relation to the United States but also at the expense of Japan. Tokyo reacted with alarm to the plan and subsequently entered into talks on a Japan–ASEAN FTA within the framework of the so-called Japan–ASEAN Comprehensive Economic Partnership, or JACEP (see Chapter 4). Within ASEAN, China is perceived as an engine of growth, a distinction that previously belonged to Japan. ACFTA, accompanied by the offer of an ‘early harvest’ of trade and investment benefits, has strengthened China’s status as a benevolent regional leader. Strategic, security and political objectives are essential elements of Beijing’s economic outreach. For example, according to one of the PRC’s most senior economists, Ma Hong, ‘the pattern of setting up a free-trade region is a favourable direction for China to develop the relationship of regional grouping and regional alliance’ (cited in Keith, 2004: 514, emphasis added). China’s proposal of a ‘strategic partnership’ with ASEAN that was made at the ASEAN Foreign Ministers Meeting at Phnom Penh in June 2003 has to be seen in the same context. Multilateralism in ASEAN–China relations has developed to a degree where Beijing is setting the regional agenda (Hughes, 2005: 120). A European senior diplomat confirms this for meetings between the EU and China.

China is very pro-active on political issues and increasingly open to agendas that used to be taboo only a short while ago, including regionalism, monetary integration, and even democracy and civil society. Beijing is constantly testing new ideas. Anything goes as long as Taiwan, Tibet and Falun Gong are not mentioned.¹⁵

China has thus started to act like a traditional big power, proactively drawing up its own blueprints for regional order and pulling smaller neighbours along in its wake. Most ASEAN states have responded positively to this strategy by jumping on the Chinese bandwagon, as both the examples of security management in the South China Sea and the Mekong valley have shown. The first East Asian Summit in Kuala Lumpur in December 2005 is another case in point. The meeting was attended by the ten ASEAN

members, China, Japan, South Korea, India, New Zealand and Australia. Japan's suggestion that Washington should at least be invited as an observer made no headway, primarily owing to Beijing's efforts to exclude the United States. Behind ASEAN's closed doors, Indonesia and Vietnam were especially critical of Washington's exclusion but did not want to challenge Beijing. According to Abdul Razak Baginda,¹⁶ 'there is now this feeling that we have to consult the Chinese. We have to accept some degree of Chinese leadership, particularly in light of the lack of leadership elsewhere'.¹⁷

China has both an interest and the capabilities (in terms of hard power and, most important, soft power as the example of ACFTA shows) to provide regional leadership. However, this does not mean that China always gets its way. For example, prior to the first East Asian Summit, China's offer to host the second meeting was rejected by ASEAN (Yamakage, 2005). China was equally unsuccessful in lobbying the Vietnamese government for the exclusion of Taiwan from the APEC Summit in November 2006 in Hanoi, and the right of sitting next to the host at the summit meetings.¹⁸ Yet, as the PRC's growing pre-eminence in the management of regional security is accepted and even perceived as beneficial for the region by key governmental elites in Southeast Asia, the international relationship between China and ASEAN will increasingly resemble hegemonic stability. Due to the reciprocal nature of this system, which generates benefits for both the dominant and the lesser actors, and in the absence of clear systemic alternatives, 'no state believes it profitable to attempt to change the system', as Gilpin (1981: 10) put it in general terms. China–Southeast Asia relations might not have reached a state of complete equilibrium as a result, but they are more stable than they have ever been before.

NOTES

1. Author interview in Jeju, South Korea, October 2007.
2. Author interview in Hanoi, April 2007.
3. The forest fires in Indonesia that resulted in diplomatic quarrels between Indonesia, Singapore and Malaysia and caused an estimated US\$9.3 billion in economic losses to the region.
4. For one of the most comprehensive analyses, see Collins (2003), and in more general terms Collins (2007).
5. Author interview with the deputy director, Lt. Col. Tuan Roslan Tuan Ismail, in Kuala Lumpur, October 2005.
6. Author interview in Kuala Lumpur, October 2005.
7. These views were gathered during a roundtable discussion, chaired by this author, on 25 October, 2005 at the Malaysian Armed Forces Defence College with senior officers from the armed forces of Malaysia, Singapore, Indonesia, Pakistan, Australia and the UK and a further seminar with members of the Malaysian military at the same place on 17 April 2006.

8. Author interview with a senior official in the Ministry of Foreign Affairs in Singapore, April 2006.
9. Author interview with a Chinese senior government official in Shanghai, May 2006.
10. Author interview in Kunming, September 2006.
11. Author interview with a senior official of the Yunnan province government in Kunming, September 2006.
12. 'China competes with West in aid to its neighbours', *New York Times*, 18 September, 2006.
13. 'China's quiet rise casts wide shadow', *Washington Post*, 26 January 2005.
14. Several author interviews with senior officials in ASEAN states between 2003 and 2006.
15. Author interview in Singapore, April 2006.
16. Abdul Razak Baginda is the executive director of the Malaysian Strategic Research Centre.
17. 'China's quiet rise casts wide shadow', *Washington Post*, 26 January 2005.
18. Author interview with a Vietnamese journalist who covered the APEC summit and its preparations, Hanoi, April 2007. The seating was instead arranged in alphabetical order as at previous APEC summits.

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PART V

Regional and multilateral organization perspectives

9. Leadership in global governance: Japan and China in the G8 and the United Nations

Hugo Dobson

1. INTRODUCTION

This chapter explores the roles played by the annual summit of the Group of Eight countries (G8) and the United Nations (UN) in the provision of global governance, in addition to the leadership exhibited (or not) by Japan and China. On the one hand, Japan is a founding member of the G8 whereas China has only recently participated as an informal dialogue partner, although a more permanent inclusion in this forum is now regularly touted. On the other hand, China occupies a permanent seat on the UN Security Council (UNSC) but Japan is a latecomer to the UN and frustrated in its attempts to join the UNSC. The chapter outlines the pattern of behaviour exhibited by Japan in the G8, evaluates whether this amounts to leadership and assesses whether this is any indication of the leadership role it might take if it were to join the UNSC, and vice versa in the case of China.

In the field of international relations, leadership is a slippery term. Styles of leadership identified include a task-oriented confrontational approach versus the interpersonal approach, in addition to transactional/strategic leadership – ‘the pursuit of mutual self-interest over the long-term’ (Walker, 2006: 138) – and transformational/moral leadership, which places emphasis on morality in the means and ends of international politics. Important variables influencing leadership might include domestic constraints, nationalism, different perceptions of time, differing levels of operation (unilateral, bilateral and multilateral) and the utilization of formal, informal and proxy channels of diplomacy (McGillivray and Smith, 2004; Keller, 2005; Hook et al., 2005: 444–8). Further criteria for identifying and evaluating regional leadership exist: ‘1) formulation of the claim to leadership; 2) possession of the necessary power resources [both material and ideational]; 3) employment of foreign policy instruments [material, institutional and discursive];

and 4) acceptance of the leadership role by third states' (Flemes, 2007: 11). Applying these criteria to the behaviour of China and Japan as potential leaders in these two central institutions of global governance presents some interesting outcomes and allows us to make relatively informed decisions of future developments.

2. THE G8, THE UN AND THE PROVISION OF GLOBAL GOVERNANCE

Before any evaluation of Japan and China's actual and prospective leadership in global governance, the two mechanisms under examination in this chapter need to be explored in more detail both in their own right and how they are interconnected with each other and the other organizations, institutions and forums engaged in the provision of global governance. By the phrase 'global governance', this chapter does not refer to the creation of a future world government based upon the UN, or any other global institution. Rather, global governance is a response to both the positive and negative impacts of the decline in state sovereignty and the processes of globalization. Moreover, as Rorden Wilkinson has argued, 'the key to understanding contemporary global governance is the capacity to identify the range of actors involved in the act of management, as well as to uncover the variety of ways in which they are connected to one another' (2002: 2). This provides the focus of the first section of this chapter.

2.1 The G8

The G8 first met as the group of Six in November 1975 in the Parisian chateau of Rambouillet to discuss a range of macroeconomic issues that required coordination between the leading economies of the day. The original spirit of Rambouillet was to bring like-minded leaders together for a one-off, informal and intimate gathering where opinions could be openly expressed, consensus established and non-binding commitments agreed upon. Although there was no intention to repeat this experiment in fostering mutual interdependence, the utility of such a forum was recognized and the original six soon became seven when Canada joined from the 1976 San Juan Summit onwards. Thereafter, the President of the EU Commission participated from 1977, the President of the EU Council attended occasionally from 1982, and Russia joined the Birmingham Summit in 1998 to create the G8 as it exists today. Similarly, the G8's agenda has expanded since its first meeting to embrace political, security and welfare issues in addition to its original emphasis on economics.

The G8 is much maligned and often misunderstood. First of all, despite the name, it is not a group of eight; rather it is a group of nine and sometimes ten (depending on who holds the Presidency of the EU Council). Second, it is neither a group of the most industrialized countries, nor the richest countries in the world; rather it is a group of the mutually recognized 'great powers' of the day. It is no stretch of the imagination if we think of the G8 as a modern-day version of the Concert of Europe that shaped post-Napoleonic Europe. Third, it cannot change the world overnight, despite this perception gaining popular currency during the Live 8 concerts and Gleneagles Summit of 2005; rather, it approaches issues in an incremental, informal and iterative fashion. Finally, it is neither an institution nor an organization; rather it is a forum. As Hodges (1999) asserted,

The G7/8 is a forum, rather than an institution. It is useful as a closed international club of capitalist governments trying to raise consciousness, set an agenda, create networks, prod other institutions to do things that they should be doing, and, in some cases, to help create institutions that are suited to a particular task (p. 69).

Despite journalistic and sometimes academic perceptions of the redundancy of the G8, many summit observers, such as Kirton (1999), have come to regard the G8 as 'emerging as an effective center, and is prospectively *the* effective center, of global governance [author's emphasis]' (p. 46). What justification exists for this bold assertion? Lacking legitimacy and the ability to enforce its decisions, the way in which the G8 guides global governance contrasts starkly with the UN: the G8's role is to provide a space and time in the calendar of international summitry and diplomacy for the leaders of the mutually recognized 'great powers' of the day to nurture agreement on the issues perceived to be the most pressing of the day. More so than other mechanisms of global governance, the G8 provides a forum for an individual prime minister or president when acting as chair and host of the summit to demonstrate leadership by promoting a 'pet' issue. For example, UK Prime Minister Tony Blair was able to place African affairs so highly on the G8's agenda that the forum has now become inextricably linked to the issue. Reforms in the way in which the summit meets have facilitated the ability of G8 leaders to focus upon a single issue in this way. Again, it is not too much a stretch of the imagination to dub the G8 as the world's biggest think-tank (Hodges, 1999).

As part of this process, issues tend to be revisited in an iterative fashion over a number of years. For example, at the Heiligendamm Summit of 2007, the G8 was criticized in the media for rehashing previously announced commitments on debt relief made at the 2005 Gleneagles Summit. However,

the pledges made at Gleneagles were to be realized by 2010 not 2007; Heiligendamm provided an opportunity for the leaders to take stock of their progress (or lack thereof) and hammer out renewed resolve to achieve their original goals. The Digital Opportunities Taskforce (DOT), established after the 2000 Okinawa Summit, was also derided initially by civil society groups. However, within two years it had expanded to embrace 100 stakeholder organizations across 30 countries and provided numerous examples of the adaptation of information and communications technology (ICT) to the needs of the developing world (Dobson, 2004a: 144–5). Thus, the G8 works as an informal forum for the mooting and discussion of ideas until a consensus can be agreed upon and then implemented in an iterative fashion thereafter.

Lacking the means to enforce its decisions, its relationship with the other more legalized institutions of global governance is of central importance. The G8 is the forum for reaching agreement on a way forward but issues are usually then delegated to a more appropriate organization. For example, although it failed to agree upon concrete emissions targets, the Heiligendamm Summit achieved a clear consensus in the recognition of the UN climate process as the appropriate forum for addressing this issue and readily encouraged participants to work towards a new agreement to replace the Kyoto Protocol. In a similar vein, the Brady Plan, which sought to provide debt relief for developing countries chiefly in Latin America, was based on proposals tabled by Japanese Finance Minister Miyazawa Kiichi at the 1988 Toronto Summit, approved at the 1989 Paris Summit and subsequently outsourced to the World Bank and International Monetary Fund (IMF). Furthermore, the G8 is not only closely interconnected with other mechanisms of global governance; it has also created new mechanisms to address specific issues as appropriate. From the DOT force to the G7 and G20 meetings of finance ministers and bank governors, the G8 has acted as a midwife to a number of forums and institutions. On rare occasions this interconnectedness has even operated in the other direction, such as the Kosovo conflict of 1999 when the G8, rather than the UN or NATO, played the leading role (Penttilä, 2003). Again it is not stretching the imagination too much to think of the G8 as a plate-spinner and the traditional institutions of global governance as the plates (Dobson, 2007).

Faced with the failure of more formal and legitimate institutions of global governance, it appears that Kirton's assertion above is not so fanciful, and the G8 could become the mechanism of choice for the promotion of effective global governance. Not only has it demonstrated a willingness to reform itself, it is well-positioned to fill the gap and provide leadership on specific issues. In the words of veteran summit-watcher Nicholas Bayne:

The value of the G8 summit lies in its personal quality. It brings together the leaders of eight of the world's most powerful countries and reminds them of their responsibility to co-operate internationally, rather than acting unilaterally or giving way to domestic pressures. The results are often oversold in advance and disappoint in practice. But without the discipline of this regular encounter, it would be very easy for tensions and disputes to spread and to poison the underlying relationships between the G8 members. A world which did not have the safety-valve of the G8 summit would be an increasingly fractious and dangerous place. There is still great merit in the G8 staying together (Bayne, 2005: 234).

2.2 The United Nations

The creation of the UN was the continuation of an idea that international cooperation, however it may be organized, could play a role in the prevention of conflict. Although it can trace its origins back to the Concert of Europe and the League of Nations, it was mooted originally by US President Franklin D. Roosevelt as a replacement for the discredited and toothless League and came into existence in Spring 1945 as part of the planned post-World War II settlement at the UN Conference on International Organization attended by 50 governments' representatives in San Francisco. Since then it has expanded to a membership of 192 countries with hundreds of affiliated NGOs but has continued to be structured into six key organizations: the Secretariat, the General Assembly, the UNSC, the Economic and Social Council, the International Court of Justice and the now-moribund Trusteeship Council.

The UNSC has been the target of many criticisms of illegitimacy and redundancy in the post-post-Cold War world. Its membership has been accused of being inflexible, a relic of the post-World War II settlement, and as Breslin (2007) has argued, its role in promoting global governance is 'somewhat mixed' (p. 194). However, the UNSC is the central organ of the UN charged by the UN Charter with the role of maintaining international peace and security. With a membership of 15 including five permanent members with veto power and ten non-permanent members, it had been imagined that the wartime alliances among the US, Soviet Union, China, France and Britain could be carried over into the post-war period. However, the Cold War dashed this optimism and crippled the organization. Despite its apparent successful functioning during the Korean War from 1950–1953, this was only brought about through US leadership and Soviet boycott. The UNSC largely failed to function during the first few decades of its existence as a result of the Cold War and the use of the veto.

The 1980s witnessed sustained US disillusionment with the UN and the Reagan Administration's policy of non cooperation with and withholding of financial contributions from several organs of the UN system. In

contrast, the 1990s was the proverbial 'game of two halves' that began with the end of the Cold War and resulted in the rejuvenation of the work of the UN and a sudden expansion of its peacekeeping activities with perceived success such as Cambodia. The second half witnessed dashed hopes and serious defeats in the former Yugoslavia. By the turn of the millennium, the UN found itself beset by a number of high-profile scandals and failures, and its reputation and position as the centre of global governance was severely tested. Penttilä (2003: 30) wrote that:

the 1990s had been a bad period for the UN Security Council. There had been problems with UN peacekeeping missions and complaints about the Security Council's limited membership. The Council was accused of being too slow and too selective: it did not take up all issues of equal gravity, only those that the great powers deemed vital. The G8 offered an opportunity for a fundamental rethink: was the Security Council still capable of doing its job or should another entity take its place?

However, the UNSC has been successful in the promotion of various global norms, in particular those of intervention that have eroded the principle of state sovereignty. This was evident in Boutros Boutros-Ghali's *Agenda for Peace* of 1992 and the Brahimi Report of 2000. This is part of a broader role the UN has played since its creation of promoting various global norms including the Universal Declaration of Human Rights and the Millennium Development Goals. Central to this promotion of ideas has been the office of the Secretary-General. Whether it be the practice of peacekeeping as developed by Dag Hammarskjöld, or Boutros-Ghali's *Agenda for Peace*, an individual at the heart of the organization has played a central role as an architect of the organization itself. Supported by his own secretariat, the Secretary-General has been charged with the roles of bringing issues to the attention of the UNSC and promoting of a range of global initiatives.

In stark contrast to the UNSC, the General Assembly is the only organ of the UN to include representatives of all its 192 members. All members are treated equally in terms of voting power creating 'a proto-world parliament' or equally idealistically 'the pre-eminent global deliberative body' (Peterson, 2006: 1, 3). However, the role of the General Assembly has been chiefly to discuss and make recommendations and rarely has it managed to eclipse the UNSC. In the immediate post-war period, the Assembly was beset by the same ideological Cold War divisions that stymied the work of the UNSC. From the 1960s onwards, the composition of the UN began to change dramatically as a result of decolonization. This created new, non-Western power bases within the General Assembly, as seen in the establishment of the non-aligned movement (NAM) in 1961. As a consequence,

the US began to relinquish dominance, and then interest, in the UN throughout the 1980s. Although chiefly charged with the duties of deliberation and recommendation, this has allowed member countries to use the General Assembly as a forum for publicizing a range of different causes. In addition, the General Assembly was used in the exceptional circumstances of the Korean War and Suez Crisis to bypass stalemate in the UNSC under the US-led 'United for Peace' initiative (Peterson, 2006: 106–7).

However, the UN's role is not simply as a forum for discussion or a promoter of norms. It also provides status, legitimacy and enforcement. Unlike the G8, the UN is a legal international organization with a Charter, a flag, a headquarters, a budget, procedures, employees and a pension plan (Hodges, 1999: 69). Membership of the organization imbues its members with status, and decisions that are made at the UN are automatically invested with legitimacy. Finally, although they have fluctuated over the years, the UN has the resources to enforce its decisions by itself and is not as ready as the G8 to delegate to other institutions, preferring to exercise the authority granted by the UN Charter to establish subsidiary bodies and specialized agencies. Ultimately, the UN has been regarded as 'the only body in the world with a constitutionally defined legal authority in the field of international peace and security, in particular when enforcement becomes necessary' (Penttilä, 2003: 30). The Iraq War of 2003 provided, though, one of the most public UN debacles, and led to widespread doubts as to the effectiveness of the organization in restraining the US and ensuring peace and security. As Sisci (2003) wrote at the time:

the UN now is no longer what it used to be, and it will no longer be . . . In fact the Group of Seven is proving a more authoritative arena. The G7 assembles the most powerful economies on the planet, it distributes power according to the real economic weight of each participant, and by associating with Russia, an economic lightweight, shows its interest in taking over security concerns as well . . . The US no longer has the economic muscle to reconstruct a country from scratch by itself . . . The financial assistance of the big economies is and will be essential to the US for many years, and thus the G7 could be a more realistic forum. The G7 has the severe drawback of keeping out the majority of countries, but there could be measures to accommodate that.

Although Sisci makes an important argument for the rising influence of the G7/8, the battle of the global governance heavyweights is not a zero-sum game. The difference in the natures of these two mechanisms of global governance, their interconnectedness, and the legitimacy that the UN provides (and the G8 is often accused of lacking) all suggest that one will not succeed or fail at the expense of the other, and rather interdependence will characterize their relationship.

3. JAPAN'S POSITION IN GLOBAL GOVERNANCE

Japan's position in the institutions that seek to provide global governance has been explored in detail elsewhere (Hook and Dobson, 2007); however, discussion of Japan's role in global governance specifically and international relations generally has been characterized largely by debates over the levels of proactivity/reactivity and abnormality/normality (Hook and Payne, 2007). Nevertheless, several of the characteristics and criteria of leadership are evident in Japan's behaviour in these institutions.

3.1 Japan in the G8

Despite being an original member of the G8, Japan's role has often been characterized as marginal. In an informal grouping that is based upon interpersonal relationships, the Japanese prime minister has found himself out on a limb at times: at the first summit Miki Takeo was the only leader not to be referred to by his first name, Suzuki Zenkō and Ōhira Masayoshi were known for their reticence, and the seat occupied by the Japanese prime minister at the summit table came to be known as the 'silent corner' (Dobson, 2004a: 140–53). In a forum that relies so heavily on interpersonal relationships, Japan's representation is one of the more erratic and unstable. Over the 33 summits that have taken place between 1975 and 2007, Japan has been represented by 15 prime ministers, contrasting with four German chancellors, five UK prime ministers and six US presidents over the same period. The only Japanese prime ministers to attend the G8 summits consistently have been Nakasone Yasuhiro, who attended five summits between 1983 and 1987, and Koizumi Junichirō, who attended six summits between 2001 and 2006. This hardly compares to the long-term summiteers such as German Chancellor Helmut Kohl, who attended 16 summits between 1983 and 1998. Language obstacles, a sense of inferiority (exacerbated at times when the core G4 members of the G8 – the US, the UK, France and Germany – have met independently, such as the 1979 Guadeloupe Summit on security) and the high turnover rate and inherent weakness of the position of prime minister in Japan's domestic politics have all served to create an impression of Japanese passivity in the G8.

However, it could be argued that the nature of the G8 summit as an informal venue for consensus-building based on interpersonal relationships that addresses issues over a longer time-scale, rather than a quick fix, is highly suited to the style of Japan's international relations (Hook et al., 2005). So, despite these weaknesses outlined above, Japanese prime ministers have on occasions succeeded in providing leadership at the G8 summit, in terms of shaping both its agenda and its very nature. As regards the former, Japan has

been responsible for placing a number of initiatives on the G8's agenda. As regards its core national interests, Japan has also taken the lead in promoting issues such as denuclearization of the Korean peninsula and territorial disputes with the Soviet Union/Russia (Dobson, 2004b). At the 1987 Venice and 1988 Toronto Summits, the Japanese government was successful in promoting the Human Frontier Science Programme, which was to be comparable to European and US research into ICT and constitute one area of Japan's contribution to international society (Dobson, 2004a). A similar interest was evident in Prime Ministers Obuchi and Mori's efforts to put the same issue at the centre of the agenda for the 2000 Okinawa Summit. As part of its Asian identity and perceived duty to bring regional issues to the attention of the contemporary 'great powers', Japan has focused the G8's attention on the Cambodian conflict and refugee crisis, the division of the Korean Peninsula and the 1997–1998 East Asian financial crisis. At times it has appeared that Japan has had a plethora of issues to bring to the attention of the summiteers, as demonstrated by the cartoon in Figure 9.1 that depicts Prime Minister Hashimoto Ryūtarō's active role in giving voice to Asian issues at the 1998 Birmingham Summit. It is fair to suggest that without Japan's championing, the G8 would not have engaged with Asian issues to the extent that it has.

As regards the latter aspect of shaping the summit itself, although not as influential as Blair and the radical reforms he introduced at the 1998 Birmingham Summit of returning the summit to its roots, the Japanese government did play an active role in promoting the membership of Canada. It has also attempted to invite non-G8 countries as dialogue partners as seen unsuccessfully in the case of Australia at the 1979 Tokyo Summit, with limited success in the case of Indonesia at the 1993 Tokyo Summit and more successfully in the case of a number of African countries at the 2000 Okinawa Summit. These initiatives are motivated by Japan's perceived role for itself as the representative of Asia at the G8, which has led Japanese prime ministers to conduct pre-summit tours of the region to elicit topics to take to the summit table, followed up by post-summit debriefing sessions of what was discussed and achieved. Furthermore, informed by a desire to make the summit succeed, the Japanese government has sought to imbue the G8 with legitimacy by spearheading the outreach activities that embrace civil society. The creation of an NGO centre at the Okinawa Summit, however flawed, was emblematic of this process within the G8. Finally, the Japanese government also played an instrumental role in resisting Russian membership of the forum for most of the 1990s. When national interests and self-perceived identities are implicated, the Japanese government has shown considerable leadership.

Japan's participation in the G8 can be summarized by the overriding desire to engage with and make this forum of global governance function



Source: *Mainichi Shinbun*, 17 May 1998. Cartoon reproduced with the kind permission of Nishimura Kōichi.

Figure 9.1 Japanese Prime Minister Hashimoto attempts to plug Asia's voice into the 1998 Birmingham Summit

successfully. Among the G8 countries, it has recorded the most consistent rate of hosting summits perceived to be successful (Dobson, 2004a: 181). This has been motivated largely by a long-standing desire to be recognized as a responsible and important member of international society.

3.2 Japan in the UN

Although Japan was initially excluded from the UN, this did not mean that the organization was outside of the concerns of Japanese policy-makers. In

fact, the UN enjoyed high levels of support among the Japanese public, and gaining membership was regarded by the Japanese government as an important foreign policy goal. Eventual membership of the UN in December 1956 can be seen as symbolic of and a natural step in Japan's post-war re-entry into international society. Immediately after admission to the UN, Foreign Minister Kishi Nobusuke declared in February 1957 that Japan's foreign policy would revolve around the three pillars of: (i) cooperation with other democracies; (ii) maintaining a position as a member of Asia; and (iii) UN-centrism. Since this time, the Japanese government has repeatedly espoused a UN-centred foreign policy although its record has been mixed; in fact, during the first few decades of Japan's UN membership, the concept of UN-centred diplomacy meant little more than meeting budgetary contributions, joining various organs of the UN system, serving occasionally as a non-permanent member of the UNSC, and voting in line with the US on issues such as support for Taiwan as the Chinese representative in the UN.

As mentioned above, during the 1970s, the composition of the UN changed dramatically as a result of decolonization, and new sources of influence within the General Assembly emerged. As a consequence, the US began to relinquish dominance, and then interest, in the UN. In this atmosphere, the Japanese government chose to edge closer towards the concept of UN-centrism and participated more independently of the US. For example, on the Palestine issue Japan abstained in the 'Zionism equals Racism' General Assembly Resolution 3379 of November 1975 and recognized the right of self-determination for Palestinians in 1976. During the 1980s, despite the Reagan Administration's disillusionment with the UN and withholding of funds, Japan sought to act as a middleman and work for the reform of the organization. This was exemplified by Japan remaining in the United Nations Educational, Scientific and Cultural Organization (UNESCO), despite the departures of the US and the UK. Moreover, voting patterns reflect the extent to which Japan was beginning to move away from the US.

Today the issue of permanent membership of the UNSC dominates the minds of Japanese policy-makers and has been a goal of the Japanese government since the 1960s. Japan has served as a non-permanent member of the UNSC on nine occasions: 1958–1959, 1966–1967, 1971–1972, 1975–1976, 1981–1982, 1987–1988, 1992–1993, 1997–1998 and 2005–2006. However, this is only a temporary post for which Japan must run for election, and despite having provided the second largest contribution to the UN budget since 1975, Japan's voice in the chief organ of the UN is limited. To address this issue, the Japanese government has adopted a number of unilateral and multilateral approaches over the years with the goal of promoting reform of the UN and Japan's inclusion in the UNSC specifically

(Drifte, 2000). However, they have invariably failed and when considered alongside the enemy clauses of the UN Charter (Articles 53 and 107) that still identify Japan as a wartime enemy, Japan's exclusion from the legitimate top table of global governance comes into stark relief.

Other factors cripple attempts by the Japanese government at leadership. Japan has always been poorly represented in the UN in terms of personnel. In 2005, the desired level of Japanese staffing stood at 262 to 355 but only 111 Japanese were employed at the UN, despite the best efforts of the organization and the Japanese government to recruit increased numbers (UN, 2005). There are examples of highly capable Japanese individuals working with the UN; however, in terms of quantity Japan is sorely under-represented.

Despite these obstacles, Japan has managed to demonstrate leadership within the UN on occasions. For example, in the field of development and with the original aim of promoting lessons from the economic development of the East Asian region on the African continent, Japan has hosted three rounds of the Tokyo International Conference on African Development (TICAD) in October 1993, October 1998 and September 2003, and is preparing for the fourth round in 2008. In addition, Japan hosted the two-day International Conference on Reconstruction Assistance to Afghanistan in January 2002 for donors and institutions including the UN and pledged to contribute US\$500 million over 30 months.

In contrast to economic leadership (with which Japan is traditionally more comfortable), in the field of peacekeeping, Japan has continued to contribute to UN peacekeeping activities since its first despatch of 600 Self-Defence Force personnel to Cambodia from 1992–1993 to engage in humanitarian and state-building activities. Although the Japanese government's contribution has never been significant compared with more seasoned peacekeepers like Canada, India or Ireland, it has overcome controversy both inside and outside of Japan, sustained casualties and maintained its commitment to peacekeeping so that opposition has largely evaporated.

4. CHINA'S POSITION IN GLOBAL GOVERNANCE

China has traditionally harboured doubts towards multilateralism, preferring bilateral diplomacy, and for a long time the UN was the only major international organization of which China was a member. However, in 1980, China joined the IMF and World Bank and since the end of the Cold War some kind of relationship (either full membership or association) now exists between China and every major international organization (G8 Research Group, 2005: 72–3; Lanteigne, 2005; Pearson, 1999; Johnston and

Ross, 1999). This trend demonstrates that both China's calculated behaviour to protect its national interests in these organizations, and a tentative shift towards the norms of international society instead of seeking to promote its own norms in their place, have been evident – the behaviour that has characterized China's membership of the IMF and World Bank (Pearson, 1999: 216). As will be made clear below, this pattern of behaviour is clear in China's UN policy; yet, to what extent does this indicate the kind of summiteer China might be if it were to join the G8?

4.1 China in the UN

This section explores China's role in the UN since it replaced Taiwan in October 1971 and largely ignores the period beforehand of outright opposition and aggression towards the UN. Yet the fact that China was ready and willing to assume a position in the UNSC signals the fact that status and national interests counted for more than ideology. Since that time, China has on occasions sought to promote global norms that challenge those of international society. For example, the 'Three Worlds Theory', which advocated a more just international order was first publicly declared by Deng Xiaoping at the UN General Assembly in April 1974 (Roy, 1998: 30). As mentioned above, the General Assembly provides an opportunity to publicize issues, and China has used this organ of the UN system for exactly that purpose (Kim, 1994: 408). In the UNSC, China has verbalized a leadership role for itself as the Third World's representative: 'China is a unique nation in the Third World. It has the veto right in the Security Council. This ultimately belongs to the Third World. This gives China special influence in the Third World' (Shichor, 1991: 263).

Nevertheless, although China's espoused principles resonated with the Group of 77 developing nations who organized their campaign for a New International Economic Order within the UN during the 1970s and 1980s with the goal of challenging the existing norms of international society and replacing them with norms more favourable to the developing world (Pearson, 1999: 210), it has been argued that China shied away from a concrete leadership role and has 'remained aloof' from the groupings of developing nations such as the G77, NAM and the G24 (Roy, 1998: 148; Kim, 1994: 407).

Another ideological contribution articulated by China at the UN has been the Five Principles of Peaceful Coexistence, namely: (i) mutual respect for sovereignty and territorial integrity; (ii) mutual non-aggression; (iii) non-interference in each other's internal affairs; (iv) equality and mutual benefit, and; (v) peaceful co-existence. The emphasis on sovereignty is core to numerous public statements by China on the work of the UN and was

central to Deng Xiaoping's New International Political and Economic Order announced in reaction to the immediate post-Cold War New World Order proposed by US President George Bush (Roy, 1998: 147). Again, these statements of principle showboated in the UN General Assembly allow China to promote a self-perceived image of a moral foreign policy player but once again the sincerity behind the supposed morality in Chinese foreign policy is open to question. As Kim (1994) argued:

The General Assembly and to a lesser extent the Security Council still afforded China the indispensable global arena for projecting China's symbolic identification with the Third World. Though China's UN rhetoric may merely represent cheap throwaway lines, as the realists would say, China continues to play its symbolic role in the UN, voting with the Third World majority (about 86 percent congruence), commenting from the sidelines, or called on from time to time to respond actively in a situation of superpower over-extension in trouble spots of the Third World. China publicly touts its role in the Security Council as the only developing country among the Big Five of the Security Council fighting for the causes of the Third World (p. 411).

Alternatively, it has been widely argued that China has been accepting of the international order and the legitimate position of the UN:

Now a participant in the global system rather than an outsider, China is increasingly compelled to pursue its interests by working within the strictures of international rules and structures. The UN and other non-governmental organizations have changed China . . . even socializing China to certain international norms (Roy, 1998: 146).

China's actions belie its words and it has begun to participate more visibly in UN activities that erode the concept of sovereignty. Although China is a latecomer to peacekeeping, a core activity of the UN, 1861 Chinese peacekeepers are currently participating in 12 UN peacekeeping operations, making it the largest contributor among the permanent five UNSC members (Ling, 2007: 47). China was originally opposed to peacekeeping and withheld contributions to the UN's peacekeeping budget because its very nature was regarded as a force serving to erode state sovereignty through intervention. China's strategy in the UNSC has been to abstain rather than veto both peacekeeping activities and intervention such as the First Gulf War, although China's use of the veto has been evident on occasions (Roy, 1998: 148, 201). However, since 1990 China has become a more active contributor to peacekeeping, approving missions in Cambodia and placing boots on the ground in a number of differing operations but also taking a conservative line as regards the shift from traditional peacekeeping to peacemaking and peacebuilding (Fravel, 1996).

Furthermore, the fact that China has endured casualties has given it further opportunities to demonstrate its commitment to the status and responsibility of a leading global power (Wang, 2005: 165; Ling, 2007). The acceptance of this practice of international society was similar to Japan's in that it was thought that participation in peacekeeping missions would promote the image of a responsible world power. However, cases such as Darfur continue to expose the contradiction at the heart of China's peacekeeping policy between sovereignty and status (Ling, 2007: 49). Similarly, the 'war on terror' has seen China support UN resolutions that continue to erode state sovereignty: approval of the despatch of a multinational force to Afghanistan (Resolution 1386) and disarming Iraq (Resolution 1441). China's advocacy of state sovereignty is not wholly consistent, and slippage in this principle is tolerated if national interests are paramount.

In terms of personnel, over recent years, China's levels of representation within the UN Secretariat have been just within or just below the desired range; in 2005, the number of Chinese staff stood at 59, just within the desired range of 56–76 but certainly far better than Japan's consistently chronic levels of under-representation (UN, 2005). China has begun to demonstrate leadership in January 2007 when Margaret Chan became Director-General of the WHO and China also strongly campaigned for Ban Ki-Moon to be chosen as the current Secretary-General of the UN (Ling, 2007: 48). On the question of UN reform, expanding the UNSC and addressing the issue of the veto, China has been largely negative, demonstrating its desire to retain the trappings of great power status. Motivated also by the goal of denying Japan a permanent seat on the UNSC, China has rejected any artificial timeframe for reform.

4.2 China in the G8

China was first the focus of the G4's attention at the 1979 Gaudeloupe Summit when the issue of arms sales to China was placed on the agenda, and thereafter at the 1987 Venice Summit when the G7 'agreed that particular attention should be paid to the efforts for economic reform undertaken by China' (G7, 1987). Two years later, in reaction to the Tiananmen Square massacre of 1989, on the one hand Western members of the G7 used the summit process to introduce sanctions against China, while on the other hand Japan appealed to the other summiteers to remain engaged with China and worked towards the eventual lifting of these sanctions. During this period China's position towards the G8 was one of outright opposition on ideological grounds, preferring to emphasize the importance and legitimacy of the UNSC, upon which of course China has a permanent seat. Despite this traditional tension between the G8 and China, the 1990s saw

an increasing level of engagement with issues related to China that led to Chinese participation becoming the natural topic for discussion. Japanese Prime Minister Obuchi Keizō attempted unsuccessfully to involve China in the 2000 Okinawa Summit, whereas three years later French President Jacques Chirac was successful in inviting Chinese President Hu Jintao to an enlarged dialogue meeting on the first day of the 2003 Evian Summit alongside other invited leaders of India, Brazil, Mexico, South Africa, the World Bank and the G77. Since then, Hu has attended every summit up to and including the 2007 Heiligendamm Summit in a similar capacity. In 2005, he declared that 'we are willing to improve communication and co-operation with the G8' (G8 Research Group, 2005: 76) and to this end China has moved from being an 'outside object' of the G8 to currently a 'worthy associate' and possibly a 'legitimate member' in the future (Kirton, 2001a).

In fact, China has become the most touted potential member of an expanded G8 over recent years (for a more detailed discussion see Kirton, 2001a). However, unlike the UN, no formal criteria exist for membership of the G8. Canada's membership from 1977 and Russia's eventual inclusion by 1998 demonstrate that membership is a matter of whether the existing members have reached a consensus on expanding their circle. Evidence of an emerging consensus in the case of China can be seen in several statements by G8 leaders who have expressed a clear desire to bring China into the G8 fold: in 2004, British Prime Minister Tony Blair, German Chancellor Gerhard Schröder and Italian Prime Minister Silvio Berlusconi all stated varying degrees of support for the addition of China and India to create a G10. For example, Berlusconi announced that, '[i]t doesn't make much sense for us to talk about the economy of the future without two countries that are protagonists on the world stage' (G8 Research Group, 2005: 23). One school of thought is that China's economic clout merits a role in the G8 but also that membership would continue to embed China in the global norms of international society. Yet, in contrast, the US and Japan are ambivalent towards China's membership of an expanded G8. The former's opposition is based on China's poor human rights record, whereas the latter's rests on the threat that China represents to the long-standing role Japan has cultivated for itself as Asia's representative.

Not only is there no consensus as to China's membership, and suspicion on the part of the Japanese government as to allowing a regional rival into the G8, a number of continuing problems ensure that China's membership of an expanded G8 is highly unlikely (Dobson, 2007: 58). First, the closest the G8 has to formal criteria for membership are shared values: the G8 is mutually recognizing grouping of contemporary great powers that are all liberal, free-market democracies; China's membership would create a

jarring anomaly. Second, the focus of much summit discussion over recent years has been firmly focused on tackling Africa's problems to the extent that the G8 is now synonymous with the issue although it was never created to deal with these kinds of issues. In any case, it would be problematic to include China, still a developing country, in these discussions. Finally, China has a number of rivals vying for membership of the G8 who have equally valid claims, in particular, Brazil, India and South Africa. Over recent years, the G8 has reached out to these countries, in addition to China, as dialogue partners in recognition both of their importance in dealing with the issues that now occupy the summiteers' time and the regional representativeness that they provide. Ultimately, China is unlikely to join in the foreseeable future and this is not only because it does not subscribe to the same norms as the current G8 member states. From the G8's point of view, there is no consensus within the current members as regards allowing China into this exclusive club. From a Chinese point of view, eventual membership is also far from certain as the Chinese government tends to emphasize the UN as the legitimate engine of global governance.

However, if the G8 continues its policy of outreach and includes non-G8 members within its dialogue, it might be the case that the G8 is replaced by a new grouping, known as the L20, adapted from the G20 (see Kirton, 2001b). The G20 was created in September 1999 as an informal meeting of finance ministers and central bank governors from the G7 members, Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey. Its mandate states that, 'By contributing to the strengthening of the international financial architecture and providing opportunities for dialogue on national policies, international co-operation, and international economic and financial institutions, the G20 helps to support growth and development across the globe' (G20, 2007). Since that time, it has been touted as a model at the leaders' level for a reformed G8.

By including China, in addition to a number of other important countries, an L20, adapted from the G20, would possess greater legitimacy than the limited elite membership of the G8. As a deliberative forum for discussion and consensus-building akin to the G8, the G20 also appears to provide evidence of how China might behave in the G8. China has sent its finance minister and/or the chairman of the People's Bank of China to every meeting of the G20 since its inauguration in 1999 and its participation within this forum has so far been described as active and the creation of the G20 a 'timely gift for a Chinese government that wants to have close co-operation with the G7/8 but does not want to be part of it for the time being' (see Kirton, 2001a: 214). Most importantly, China acted as chair of the G20 in 2005 and hosted two meetings of the deputy finance ministers

during the course of the year and the main ministerial meeting in Xianghe from 15–16 October. The contrast with Japan's participation is emerging. Japan has been reticent and failed to demonstrate leadership in the G20 so far, possibly preferring to focus its energies on reform of the UNSC and using the G20 as forum for drumming up support for its bid (G8 Research Group, 2005: 29).

5. CONCLUSIONS

To conclude, how do these patterns of behaviour demonstrated by Japan and China in these core mechanisms of global governance map onto Flemes' (2007) criteria of regional leadership outlined in the introduction: formulation of the claim to leadership; possession of the necessary power resources; employment of foreign policy instruments; and acceptance of the leadership role by third states? Using these criteria, a degree of leadership can certainly be discerned in Japan's role in the G8. First, the Japanese government has vocally and implicitly staked a claim to leadership, to a lesser extent within the G8 as a mechanism of global governance and to greater extent of the East Asian region within the G8. The leadership role within the G8 is evident in the Japanese government's efforts to ensure the success of the summit, especially when hosted in Japan, and in the initiatives taken to reform the way in which and with whom the G8 meets.

The claim of regional leadership is most readily seen in the official tours and phone calls made by Japanese prime ministers to leaders in the region in both the run-up to each annual summit and in its aftermath, with the purpose of establishing issues the Japanese government can bring to a Western-dominated summit table. To this end, as a result of Japanese advocacy, G8 statements and communiqués address a range of specific issues of interest to East Asian countries. Finally, the claim to leadership of both the G8 of the region within the forum can also be seen in the efforts made by the Japanese government since the creation of the summit process to bring the annual meeting of leaders to Tokyo. A great deal of emphasis was placed on the fact that the 1979 Tokyo Summit was the first summit to be held in Asia, not just Japan, and the 2000 Okinawa Summit was deliberately imbued with an Asian feel from the agenda to the venue.

As regards possession of material and ideational power resources, Japan has acted as an automatic telling machine for many of the G8's initiatives and is generally recognized as possessing considerable 'soft power'. As regards employment of foreign policy instruments, although Japan has been constrained in exercising its military resources during the post-war period, traditional military security is an area in which the G8 has not

played a consistently major role and thus 'hard' military sources of power are not so important in this forum (only recently has the G8 begun to grapple with security issues, and this has mirrored Japan's more robust security posture over the last decade). Japan has also demonstrated a willingness to employ the multilateral mechanism of the G8 to complement its traditional emphasis on bilateral activity. Finally, as regards the acceptance of the leadership role by third states, although an inner-sanctum of the G4 has operated within the G8 on occasions, Japan has been recognized by its fellow summitters since the group's inception as having a legitimate position in the G8, unlike the situation within the UN. Furthermore, as regards Japan's leadership of the East Asian region at the summit table, the vast majority of leaders have welcomed Japan going to bat for them at the summit, even South Korea. Only China and North Korea have objected and this is mainly concerning the nature of the G8 rather than Japan's role therein.

Similarly, and also based on its track record as a UN member, Japan may well demonstrate leadership in the UNSC. It has repeatedly staked a claim to a permanent seat on the UNSC. Again, it possesses considerable economic material resources and 'soft' power, and in addition has expanded its participation in peacekeeping – a core activity of the UN. It has played its role in the UN through employing a range of foreign policy instruments, including economic, as seen in the TICAD process, or moral persuasion, as seen in UNESCO in the 1980s. As regards acceptance, China and the two Koreas have opposed Japan's inclusion in the UNSC; however, most other members have expressed support for Japan's inclusion. Judging by its behaviour so far in the UN, and in light of the role Japan has played when it has reached the top table of summitry at the G8, it is likely that Japan will continue to pursue a leadership role as defined by these criteria.

In contrast, mapping China's behaviour in the UNSC onto Flesher's criteria presents something of a curate's egg. As regards China's claim to leadership, it has claimed that its seat on the UNSC is a seat for the developing world, but these claims have not always been followed through by action and it has appeared that status has been more important in China's UN policy. As regards possession of power resources, it has the necessary military power resources, especially as a nuclear power, but cannot match them in terms of economic and ideational power resources. As regards the latter and judging by its behaviour in the UN since 1971, it is more likely that China will buy into the predominant global norms. China's behaviour in the UN is typical of its overall foreign policy and an example of: 'firmness in principle and flexibility in application, steering the ship of the state between the Scylla of dogmatic foreign policy and the Charybdis of unprincipled foreign policy' (Kim, 1994: 402). As regards the employment of foreign policy

instruments, it has begun to play an active role in peacekeeping recently, but institutionally has tended to abstain within the UNSC and has only used discursive instruments in order to trumpet ideals in the UN that it has failed to live up to. Finally, China is accepted by its fellow UNSC members but has not received ringing vocal support from the East Asian region.

Based on this and China's experience thus far with the G8, it is unlikely that China will pursue a leadership role in the summit process. China has traditionally been hostile to the G8 and has seen it as an illegitimate and exclusive club behind closed doors. Even recently, although China has declared an interest in improving communication and cooperation with the G8, it has not claimed a leadership role. Ultimately, China means more to the G8 than the G8 means to China and those calling for China's inclusion should be careful of what they wish for. Arguments along the lines put forward by Japan and the US as mentioned above, suggest that China's membership of any reformed G8 could damage, rather than enhance, the coherence of the forum. As regards possession of power resources, China finds itself in a similar position as it does in the UN; however, the G8 is currently engaged with issues such as African debt and development that require economic and financial more than military power resources, although China is increasingly showing an interest in employing its aid in Africa. As regards employment of these power resources, China's participation in the G20 suggests that it may be willing to instrumentalize multilateral forums once its position therein is recognized. Finally, although some members of the G8 have recognized the need to include China in the summit process, this does not constitute a consensus and most obviously Japan is wary of creating a potential rival for the role of Asia's representative. China appears to lack a constituency to lead in the G8.

However, with the decline of credibility and reputation of the UN, what will China make of the organization? Will the G8 pique more interest or will China seek to support and reinvigorate the UN? The former could see more of the same behaviour but in a different forum as suggested above, whereas the latter would see China having to play a more active role in UN reform – which might already be evident in President Hu Jintao's repeated calls of support for the UN over recent years (Wang, 2005: 164–5). Of course, bilateral rivalry is an influential factor in shaping future developments. With its veto power in the UNSC China is capable of blocking Japan's membership of the UNSC. Although no such formal mechanism as a veto exists in the G8, Japan can hold up China's membership of this modern-day concert of 'great powers' as it did with Russia. Given the current poor state of bilateral relations between the two, it is highly unlikely that cooperative mutual sponsorship will emerge. However, the stances of existing members and structural pressures may well render their opposition

to each other meaningless and both countries could even find themselves isolated and marginalized in each forum if they resist the other's membership in the face of the support of other G8 and UNSC countries.

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10. Contesting East Asian security leadership: China and the Shanghai Cooperation Organisation

Neil Renwick

1. INTRODUCTION

Leadership in contemporary global systems is exciting a great deal of interest as the early decades of the twenty-first century appear to be laying the foundations for a major 'power shift' in the global political system centred upon a 'rising' China. The perception is of an emergent transition from a global system – either 'unipolar' or 'hegemonic' depending upon theoretical taste – led by the United States to one eventually led by China, depending upon interpretation. For those for whom this scenario is a foregone conclusion, debate is intense over the implications of this global shift in terms of structural power distribution, systemic processes, and particularly the character of global leadership. For those with a more sanguine outlook, the initial focus of interest regarding the leadership impact of China's rise should be that of the immediate neighbourhood. Clearly there are major global reverberations of a 'rising' China. The central question is how systemic transition is managed. But perhaps some of the answers may be found at present rather less in the relatively opaqueness of 'macro' political relations and rather more in 'micro' bilateral and multilateral regional relations. In this sense, leadership in the context of the Shanghai Cooperation Organisation (SCO) derives from the nature of the problems being addressed: the challenges of economic development, separatism and terrorism shared by the organization's membership rather than from leadership in the sense of preponderance of directive power and influence. The twin problematics of development and security require multiple partners working across multiple sectors at a number of levels. Leadership here in terms of development and security is then an issue of regional governance and multilateralism. Hence, governance is increasingly tied to processes and issues of multilateralism such as that of the Shanghai Cooperation Organisation (SCO).

The core issue or ‘problematic’ of this chapter centres upon three questions. First, what does leadership mean in the Northeast Asian regional political context and specifically in terms of economic development and security vis-à-vis Central Asia? Second, what is China’s approach to regional leadership? It examines these questions through the prism of a regional inter-governmental organization, the SCO. The chapter will thus explore the character of leadership through a critique of security challenges defined in terms of security tied to regional issues of development. Just as processes of regionalization and globalization are changing the character of state-centric governance, so too ‘multilateralism’, the ‘collective, co-operative action by states . . . to deal with common challenges and problems when these are best managed collectively at the international level’ is also under challenge (Newman et al., 2006: 3). Third, might the SCO’s claims to offer something new and distinctive to multilateralism and regional governance have substance?

For obvious historical reasons, regional leadership in the context of Northeast Asia is a highly sensitive issue. It is also highly contested both conceptually and in practice. On the one hand, regional leadership may be viewed as arising from traditional inter-state competition, the unilateral pursuit of national interests, confrontation, and the attainment of a sub-systemic preponderance of ‘hard’ power (primarily economic and military) providing regional influence. On the other hand, there are arguments that East Asia is different. Thus, cultural values and practices are claimed to underpin current political behaviour and leadership based upon cooperation, mutuality and reciprocity; a preferment for ‘soft power’; and, increasingly, a commitment to regionalism, multilateralism and globalism. It is against this background that the SCO is of interest regarding the subject of regional leadership in East Asia. Does the SCO’s proclaimed emphasis upon ‘the Shanghai spirit’ of mutual trust and cooperation have substance and offer a distinctive approach to multilateral leadership in terms of economic development and non-traditional security? The chapter argues the SCO is rising in prominence displaying traditional rivalries but also signs of leadership through multilateral security and economic development cooperation.

2. THE SHANGHAI COOPERATION ORGANISATION

2.1 Introduction

The SCO has six member states: Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. It emerged out of an original grouping of the ‘Shanghai Five’ (all the members except Uzbekistan), which came into

being after signing in 1996–1997 the agreements among Kazakhstan, Kyrgyzstan, China, Russia and Tajikistan on building military confidence and mutual reduction of military forces in border areas. The SCO was formally constituted on 15 June, 2001 when Uzbekistan joined the existing members of the ‘Shanghai Five’ and the heads of the six countries then signed the declaration on SCO establishment and the Shanghai Convention on combating terrorism, separatism and extremism. Over the following five years, the SCO concluded a series of multilateral agreements setting out the aims and strategic directions of the organization with regard to economic, security, and social policy cooperation. These included the following:

- Memorandum among the Governments of SCO Member States on Main Objectives and Directions of Regional Economic Cooperation (2001)
- SCO Charter (2002)
- Agreement Among SCO Member States on the Regional Antiterrorist Structure (2003)
- Programme of Multilateral Trade and Economic Cooperation Among SCO Member States (2004)

The last of these agreements set out the principal objectives and tasks of economic cooperation within the SCO framework. In particular, it set out a strategic direction for the free movement of goods, capital, services and technology inside the region for a 20-year period. In addition to the Heads of State Council and the Heads of Government Council, the SCO has created mechanisms of regular meetings on the level of speakers of parliament, national security councils, ministries of foreign affairs (MFA Council), ministers of defence, law enforcement agencies, ministers of economy, transportation, emergency relief, culture, education and health-care, heads of border agencies, prosecutors general, supreme courts and courts of arbitration, national coordinators (CNC). The organization took on an institutionalized form in January 2004 with the establishment of the SCO Secretariat in Beijing and the SCO Regional Antiterrorist Structure (RATS) in Tashkent. Agreements followed for permanent representatives of SCO member states to the Secretariat and for permanent representatives of SCO member states to the RATS. More controversially, and especially from the US’s perspective, the SCO has granted observer status to Mongolia (2004), India, Pakistan and Iran (2005).

The SCO itself argues that the initial years of its existence were largely concerned with establishing the organization, formulating its agreed basic principles, and constituting its institutional architecture. The year 2004, however, represented ‘a dividing line’ in the organization’s evolution with

the subsequent years representing 'a new stage' in 'developing comprehensive practical cooperation' in terms of economic, security and social policy. However, as one US presidential aspirant once remarked: 'Where's the beef?' We will take the key areas of security and development in turn in order to try and answer this question.

2.2 Security

In the realm of security, the basis for action rests upon the 'Agreement among SCO Member States on the Regional Antiterrorist Structure', signed in 2003. The record here is rather weaker than that of economic development. On the positive side, the SCO points to the creation of: the Regional Anti-terrorist Structure (RATS); joint anti-terrorist exercises in 2002, 2003 and 2005; regularized meetings of defence ministers; and the counter-terrorism centre in Bishkek, Kyrgyzstan. The work of the structure is to exchange and analyse information, establish a database, and develop policy proposals for further cooperation. A central challenge is that of countering the illicit narcotics trade. The direct linkages between development challenges and those of narcotics trading and terrorism are explicitly recognized by the SCO's experts such as Xiao Qinghua. As he notes: 'poverty and unfair[ness] are the soil [for] gestating terrorism' and 'international and interstate conflicts and disorders serve as a fireplace for the terrorism, while poverty, backwardness and injustice serve as its basis'. But there is criticism concerning how the structure is chronically under-funded, short of human resources, and largely ineffectual. The observer status now held by Iran is interesting. For some in Washington, DC, the SCO only became politically visible with Iran's accession. The reasons are fairly obvious: the recent history of US–Iranian relations, the nuclear issue, US accusations of Iranian sponsorship of insurgents and their attacks upon US forces in Iraq. The then US Defense Secretary Donald Rumsfeld was typically blunt in criticizing the SCO, China and Russia: 'It strikes me as strange that one would want to bring into an organisation that says it's against terrorism . . . one of the leading terrorist nations in the world, Iran.'¹ China's perspective is of course quite different. Iran presents an opportunity in terms of:

- *Counter-terrorism*: there are strong ethnic, religious and cultural associations between Iran and the peoples of Central Asia and the Muslim Uyghur people of China's Xinjiang Region, and stronger dialogue and cooperation between Beijing and Tehran has the potential to strengthen Beijing's hand against the Region's secessionists: or 'splittists', 'terrorists' or 'separatists' in Beijing's terminology.

- *Energy security*: with closer cooperation over international energy policy. Then SCO Secretary-General, Zhang Deguang, responded to Rumsfeld's criticism: 'We can't agree to calling a state with SCO observer status a state supporter of terrorism. If we have indisputable evidence that a country supports terrorism, we wouldn't agree to letting it be an observer'.²

The August 2007 SCO Summit held in Bishkek, Kyrgyzstan centred its discussions on the signing of a treaty among the SCO member states on long-term good-neighbourliness, friendship and cooperation. According to Russian Foreign Minister, Sergei Lavrov, the treaty would 'cement and extend the legal framework of the forum, [and] become a starting point in further promotion of co-operation based on partnership in various areas, including security, economy, science and technology, as well as people-to-people exchange.' Lavrov singled out the security dimension of the Summit as it confirmed the Action Plan on ensuring international information security (IIS) announced at the Shanghai SCO Summit the previous year (SCO, 2006b; 2007). Lavrov claimed that the:

IIS Action Plan echoes similar efforts being made by the UN in this area. There is a common understanding of potential threats of a possible use of information and communication technology with the aim of undermining national security. Measures provided by the Action Plan are designed to help upgrade the level of protection against such risks and strengthen stability in regional and much wider context (SCO, 2007).

The traditional conception of security remains an inevitable and probably inescapable part of the SCO's make-up simply because of its inter-governmental character and the continuing play of inter-state interests. The 2005 joint exercise and Peace Mission 2007 can be interpreted in this way given the scale and operational composition of forces deployed that belie the counter-terrorist rationales claimed for them. However, there are signs that the socio-economic challenges of regionalized development are important and indeed key factors in addressing both traditional security concerns and the 'new' security agenda of terrorism, transnationalized crime such as the illicit narcotics trade, migration, health pandemics and so on that now form part of the SCO's agenda through 2007 and beyond (SCO, 2006b). This approach is consistent with China's redefined security concept. Formally announced in June 2001 after a five-year gestation period, the core principle is that a genuine sense of security can only be gained through peaceful means and mutual cooperation. Accordingly, the foundations of security are mutual confidence, mutual benefit, equality and coordination.

The resonance with the SCO's 'Shanghai spirit' is evident. Reducing tensions by resolving existing, more traditional, security issues such as border disputes, promoting confidence-building measures through regularized dialogue and the mutual build-down in forces deployed at borders, increased economic cooperation and particularly infrastructural investments in neighbouring states and raised levels of development assistance are indicative of a broadening and deepening of the conceptual and operational understanding of security as development cooperation. Even in this context, though, more traditional tensions can arise, for example over access to oil and gas, migrant workers – particularly Chinese workers into neighbouring economies – or water resources. For example, Kazakhstan is particularly concerned over China's planned extraction of water from the Ili and Irtysh rivers to service oilfields in Xinjiang, as these rivers, while having their sources in China, travel through Kazakhstan (Dwivedi, 2006: 156).

2.3 Development

Much of the focus of SCO policy is directed towards encouraging further economic development in Central Asia. The Central Asian Republics (CARs) were the poorest and most underdeveloped of the Soviet republics and, post-independence, they were 'hit by a triple-transition: the adjustment to the economic shock of the break-up of the former Soviet Union, the transition from state planning to market-driven economies, and an on-going political transition' (Linn, 2002: 2). The CARs embrace 60 million citizens. If one looks at the annual GDP growth rates for 2003, then the economic picture looks encouraging with Tajikistan recording 10.2 per cent, Kazakhstan 9.2 per cent, Kyrgyzstan 6.7 per cent and Uzbekistan 4.4 per cent growth. But the starting baselines were of course very low, and in terms of human development the challenges remain significant. All the CARs have experienced a decrease in life expectancy at birth; incomes are highly unequal and the gaps between rich and poor are growing; poverty is endemic: 74 per cent of the population of Kazakhstan; 70 per cent of Kyrgyzstan; and 47 per cent of Uzbekistan had incomes under US\$2.15 per day in 2003. Kazakhstan had the lowest proportion at 21 per cent (UNDP, 2005: 43). Health threats remain: HIV/AIDS is growing, influenced by intravenous drug use and crime (World Bank, 2004a; 2004b). In clawing their way back to economic viability, national initiatives can carry them only so far. The key SCO initiatives in terms of development centre upon the 2001 Agreement on the Objectives of Regional Economic Development, and the 2003 Programme of Multilateral Trade and Economic Cooperation and its subsequent action plan agreed in September 2004. These declaratory statements set out the aims of promoting development through freer trade and

investment with the action plan identifying over 100 projects involving transport and infrastructural projects, including roads, bridges, transit terminals and a feasibility study for the construction of a China–Kyrgyzstan–Uzbekistan railway.

To help achieve this and to build the necessary capacity to move the practical implementation forward through 2007 onwards, the SCO has set up three new mechanisms: an SCO Business Council; an Inter-bank Association; and an SCO Development Fund. The role of non-governmental actors is stressed here with private sector involvement. To underline this, there has also been an inaugural meeting of the Council of Manufacturers and Entrepreneurs of the SCO Member States. An investment forum and e-commerce group were also active during 2006. Aspirations towards a customs union, economic and monetary union and an SCO free trade area form the basis for intensified integration.

In this, the SCO is also actively engaged with a number of other multilateral organizations such as the European Union, Association of Southeast Asian Nations (ASEAN), the Eurasian Economic Forum, Commonwealth of Independent States, Baikal Economic Forum, and the Central, West and South Asia Regional Economic Cooperation High-level Forum, as well as the UNDP. Energy security is a central common interest and currently there is a proposal tabled for an SCO Energy Club. As the current SCO Secretary-General Bolat Nurgaliev has stated, 'I perceive the efforts on ensuring the energy security as an aspiration towards reducing the dependency of foreign policy on a changing situation over energy supplies. It is hard to do in practice.'³ Dialogue with the Eurasian Economic Community is also being fostered. However, here, one can note the element of state interests at play, with Russia unwilling to have China as a Eurasian Economic Community participant. For China, though, the SCO potentially provides an alternative indirect access route.

3. LEADERSHIP: THE SCO, CHINA AND 'SHANGHAI SPIRIT' MULTILATERALISM

Without doubt, given historical sensitivities, the question of regional leadership in the East Asian or even wider Asia Pacific contexts is a highly emotive and controversial subject. Even drawing back from historical remembrances and political practice for a moment, the very notion of leadership is contested. On the one hand are arguments grounded in both traditional classical political realism and neo-realist structural realism. Thus systemic and/or sub-systemic leadership is geopolitically driven by a competition for power and influence between states. Leadership arises therefore

through the acquisition of a preponderance of national power necessary for the exercise of political influence and sufficient for the successful attainment of designated national interests in the international political arena. Cooperation between states derives from structural alignments to the distribution and hierarchical ordering of power in the system. Orderliness in this structural sense is the foundation of 'order' understood as the predominance of the specific values, norms and rules constituting the general systemic culture. Hence regional political relationships in Central Asia are portrayed in some analyses as a contemporary reincarnation of the eighteenth century 'Great Game' played out between the European 'Great Powers' for hegemony over the region (Menon, 2003; Swanstöm, 2005). China's rise challenges Russia's, the US's and Japan's national interests defined in terms of power, structurally redistributing power, and reorienting the conduct of processes of regional inter-state relations.

On the other hand is the sense that East Asia is different; that it does not conform and historically has not conformed to the precepts of structural realism or Western-style structures, processes and culture of political governance. Thus, national interests notwithstanding, commonalities of 'Asian' values and practices inherent in regional cultures are held to underpin and inform contemporary political behaviour and leadership based upon cooperation, mutuality, reciprocity and, increasingly, a commitment to multilateralism. The SCO is itself not exactly modest in its claims to offer a new alternative approach to multilateralism in global politics, describing it as 'representing diplomatic practice of creative value' and 'a new global vision with regards to security' based upon 'partnership, not union' as its basic characteristic.

The notion of leadership in the Chinese context is interesting. In the early 1990s, Deng Xiaoping gave guidance to China's foreign and security policy often referred to as the '24 character' strategy: 'observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; *and never claim leadership*' (emphasis added). The phrase 'make some contributions (*you suo zuo wei*)' was added later. The SCO is remarkable in so far as it is the first organization to be directly sponsored by China. China's involvement with the SCO is, in part, a function of its national economic interests and, in part, a function of its counter-separatism and counter-terrorism concerns. Of course, China avowedly enshews state-centricism in favour of multilateralism through the SCO on the basis of its long-standing stated commitment to the 'five principles of peaceful coexistence' to the attainment of a 'harmonious society', and to 'peaceful development'. The SCO's stated commitment to a 'Shanghai spirit' characterized by mutuality, trust, equality and respect for cultural diversity has roots at least in the asserted value systems

of the respective political and societal cultures of the members and certainly with that of China. As the then SCO Secretary-General Zhang Deguang remarked: 'The Spirit of Shanghai inherited and continues to develop the Spirit of Bandung becoming its living embodiment in the new historic reality. The main ideas of the two Spirits concerning aspiration for gaining peace and establishing co-operation are closely connected with each other' (SCO, 2005).

China's approach should not, however, be equated with passivity; quite the contrary. The SCO is in large measure Beijing's offspring and it provides an important forum for the advancement of China's national development goals. So, the quest for an SCO free trade agreement (FTA) is also central to China's economic development strategy. Since 2001, China has been actively pursuing FTAs with its trading partners across the world from ASEAN to Australia and New Zealand, Japan and South Korea and as far afield as Brazil. As Chu (2006) contends:

China's long-term trade relations strategy is to reduce its dependence on the West and increase its trade with the East, including Asia, Russia, the Middle East, Africa, and Latin America. Another motivation for its FTA bids is investment. China expects that FTAs with Asian countries will not only increase trade, but also promote investment (p. 4).

For fairly obvious reasons of history, the notion of leadership is a highly sensitive topic in East Asia and in Central Asia. Of course, the practice of political leadership beyond the boundaries of the state reflects the conceptual paradigm one adopts. Hence, leadership in terms of political realism arising from the primacy of states, their pursuit of their national interests defined in terms of power, the distribution and structure of systemic power, and the historical processes of systemic change are associated with the rise and fall of states. With regional or global systemic primacy go not only the trappings of power and influence but also the weight of a great power's responsibility to lead. Such state-centricism is evident in arguments that the SCO is in actuality only marginally significant in terms of multilateralism. In fact, it is merely a fig leaf for the interplay of Russian, and especially of a rising China's, national interests. In systemic terms, it operates as one diplomatic instrument to counterbalance the influence of the US and also of Japan in Central Asia. Alternatively, if the global system is conceived in terms of the tradition of cosmopolitanism, leadership is more contingent upon institutionalized structures and processes and the norms and rules that derive from them. In other words leadership is deeply entwined with systemic governance and derives less from absolute direction and more upon relative negotiation through multilateralized channels. China's diplomacy can thus be portrayed as increasingly characterized by a stress upon

multilateralism, cooperation and coordination with regional and global institutions.

Clearly, a great deal of such debate in this respect centres upon economic development, and particularly upon China's spectacular economic growth during the reform era. As Asia's fastest growing economy over the past 20 years, China saw a six-fold increase in GDP from 1984 through 2004. In 1985 average income in China was US\$280 but by 2005 this had risen to US\$1290. China accounted for 12 per cent of the world economy on purchasing power parity basis in 2004 (second only to the United States) and China contributed one-third of global economic growth in 2004. China's share of the world's exported goods was 0.1 per cent in 1980, and by 2005 was 7.3 per cent. China overtook Japan in 2004 to become the world's third-largest exporter, behind the US and Germany. In the manufacturing sector, China doubled its share of global production to almost 7 per cent in the decade to 2003. In 2004, China accounted for half of global growth in metals demand, and one-third of global growth in oil demand. China's foreign exchange reserves stood at US\$1069 billion in December 2006, overtaking Japan as the world's largest retainer of reserves earlier on in the same year. In contrast, the US's foreign exchange reserves were just US\$54 billion in 2006. China, India and Russia are now among the top ten economies with the largest reserves holdings. Together they accounted for 25 per cent of the world reserves in 2005. More than 400 million people were lifted above the US\$1 dollar-a-day poverty level in China over the last 20 years. So, as a country that still characterizes itself as part of the developing world, China has provided US\$900 million export credit facility assigned to specific projects within the SCO framework.

To what extent does this translate into Chinese leadership in the domains of security and development? Security today is as much about addressing challenges of economic growth, income inequalities and poverty as it is about more traditional concerns of a strategic and military character. Successful counter-terrorism strategies or responses to separatist impulses are intimately linked to effective development trajectories, not least in terms of militating socio-economic sources of disaffection, alienation and opposition. In one sense, the increasing economic gravity being generated by China inevitably draws other regional economies to it. This has a number of fairly obvious aspects. It includes the attraction to the emergent Chinese market and a growth in intra-regional trade and investment in Central Asia as well as East Asia as a whole.⁴

But, these factors notwithstanding, in significant respects China remains a developing country and faces immense challenges of contradictions arising from its breakneck economic expansion, a reality recognized in China's 11th Economic Plan. These are well-known: the challenge of

providing employment for a growing number of people onto the labour market; widening income differentials; poverty, mass migration and the consequential housing, health, ecological and infrastructural costs of urbanization. China still accounts for 18 per cent of the world's poor. About 150 million people in China live on less than US\$1 a day. China's income inequality has raised from 28 per cent in 1981 to 41 per cent today. China's economy has high-energy intensity. The country uses 20 to 100 per cent more energy than OECD (Organisation for Economic Co-operation and Development) countries for many industrial processes. Some 20 of the world's 30 most polluted cities are in China, largely due to high use of coal (the most carbon-intensive fossil fuel) and the rapid increase in the number of automotive vehicles with all of the related health problems and lost workdays this entails.

4. CHINA, RUSSIA AND CENTRAL ASIA

China's development challenges and its security objectives are of course also intimately bound up with its relationship with Russia. Central to any understanding and explanation of the construction and continuing devolution of the SCO is the Sino-Russian relationship and the character of their bilateral 'strategic partnership'. The key factor here is the play of their respective national interests vis-à-vis their bilateral relationship as well as the multilateralism of the SCO. While the scope for Sino-Russian cooperation is significant, some observers remain cautious given the historical record of tensions between them. If Sino-Russian competition for the raw materials and energy resources of Central Asia intensifies, then cooperative relations may be jeopardized. In fact, should this scenario emerge, it may well be that the multilateral cooperative framework of the SCO, if substantial enough, will prove a necessary instrument for moderating bilateral rivalry (Paramonov and Stokov, 2007).

There is a common basis for Sino-Russian cooperation in a number of key aspects of their 'strategic partnership'. China and Russia share a common interest in the maintenance of stability or orderliness in Central Asia. Without political stability, the expansion of economic growth will be seriously jeopardized, and perceived political, economic and socio-cultural injustices stirring the SCO's designated 'three evils' of extremism, separatism and terrorism will be exacerbated. But there is a deeper issue belying Sino-Russian ritualized espousals of regional stability as their core mutual interest. This centres upon the question of the nature of the political order in Central Asia. This order is understood as a political system largely conditioned by the preponderance of influence of a particular state. In other

words, whose order will prevail in Central Asia? Hence, China and Russia and the SCO all make reference to plurality in their statements regarding the emergent political order in Central Asia. Thus, in response to US antipathy and criticism, the SCO's public diplomacy continually emphasizes the claim that it is not directed against any third party.

Yet, in practice, the SCO's diplomacy has become involved in the question of the Central Asian regional political, economic and security 'order' with pronouncements on non-interference by external parties in the internal sovereign affairs of its member states, in emphasizing the principle of not seeking to export political systems to the region, and in requesting the removal of US forces from Central Asia. There are clear resonances here with Chinese and Russian national and bilateral interests in counterbalancing US influence in Central Asia and also Japan's nascent search for a higher economic and political profile.

But Sino-Russian cooperation or partnership also extends to the security, economic, political and socio-cultural spheres as well. Indeed, *prima facie*, the relationship has not appeared as warm and substantive for many decades. Their continuing *rapprochement* is characterized by the 'Year of Russia in China' in 2006 and the subsequent 'Year of China in Russia' in 2007.⁵ There are frequent heads of state summits and regular meetings of foreign and defence ministers and forces chiefs of staff, and trade is expanding exponentially and territorial disputes have been resolved. In terms of security, both states have a direct interest in countering what they define as extremism, separatism and terrorism. For the Chinese Government's perspective at least, Xinjiang Region is vulnerable to cross-border insurgency from Uighur separatists. For Russia, perceived links between separatist organizations in Chechnya and Islamist organizations in Central Asia are of primary concern. In addition to this, there is a shared need to combat organized crime and particularly fighting the illicit narcotics trade.

These interests are contextualized by more traditional bilateral 'hard power' security relations involving arms and defence technology transfers from Russia to China, joint military exercises, and military dialogue. Economically, China became Russia's fourth-largest trading partner in 2006. At the same time, Russia moved up to become China's eighth-largest trading partner. Russia is useful to China in its pursuit of trade diversification away from dependency upon US and European markets. China's economic growth offers Russia a potential market for its goods as its economy stages a steady recovery. Of course a central factor is that of energy (oil and gas) resources; their supply from Russia to China and pipeline infrastructural provision, and competition for the control and access to Central Asian sources of supply. In the diplomatic realm, Russia provides China with political support over Taiwan and there have been

common diplomatic stances adopted in the UN Security Council over voting on resolutions on Iran, Iraq, North Korea and Burma.

However, despite evidence of coincident interests, their respective national interests are far from identical and the argument that theirs is not simply a 'strategic partnership' but is substantially a strategic rivalry certainly carries some weight. Lo (2005) has characterized Russia's post-Soviet attitude towards China as being ambiguous, contradictory, and schizophrenic: 'a generally pragmatic mindset, but one tinged with prejudice; positive engagement interspersed with strategic competition; commonalities of policy counterbalanced by suspicions about ulterior agendas; envy mixed with civilisational contempt' (p. 3).

Thus, in terms of security relations, there remain significant differences between the 'partners'. There is frequent reference on both sides to the success achieved in the past decade in resolving their disputed territorial borders. However, voices of distrust remain evident in Moscow. One of these voices is that of Aleksandr Khramchikhin. In August 2005, Khramchikhin (2005) claimed that, faced with its need for energy resources and a perceived weak Russian military capability, Chinese control over the natural resources of Siberia is not a hypothetical threat, but an imperative of Chinese policy because within a decade China would exhaust its internal resources and import possibilities for the development of its economy. As such, a Chinese push to take control of Siberian resources is inevitable. In a related vein, Russian sensitivities towards a perceived demographic imbalance between the Russian Far East and China and the potential for a mass inflow of Chinese people has long historical antecedents reaching back to 'the Chinese millennium' (Stephan, 1994: 14–19). The sheer weight of numbers spurs apprehension among some Russian observers or modern-day '“yellow peril” cassandras' (Stephan, 1994: 71), a tension given added impetus by migrant Chinese workers travelling to Russia's Far East (Haskovich, 2007). There is suspicion in Moscow of China's military force modernization, budget expenditure, enhanced war-fighting capabilities and, ultimately, the strategic objectives or intent providing the rationale for such modernization. China's economic growth is providing a substantial basis to fund its military modernization with growing and higher quality defence technology and production capabilities. Reservations are also spurred in Moscow by the conventional force imbalance of Russia vis-à-vis China.

In the security domain then there are obvious elements of cooperation; the 'Peace Mission' exercises held in 2005 and 2007 through the auspices of the SCO were in practice overwhelmingly comprised of Sino-Russian forces with very small contingents from the other SCO-member states. Thus, for some observers, Russia and China are seeking to turn the SCO into a North

Atlantic Treaty Organization (NATO) for the East, or at least a Eurasian military confederacy to rival NATO.⁶ For such commentators, the SCO would act as a counter-weight to an expanding NATO whose membership has moved its boundaries ever closer to Russian territory and whose partnership-for-peace and out-of-area operational mandate has seen it engage more actively with Western and Central Asian theatres. This is denied, not only by the respective governments in Moscow and especially Beijing, but also by the SCO Secretariat itself. The then Secretary-General Zhang Denguang remarked in 2006: 'The idea that it [the SCO] is a NATO of the East is entirely baseless, I think. The SCO is not directed at any third party'.⁷

China is excluded from the Russian-led security organization the Collective Security Treaty Organization (CSTO). However, in 2007, CSTO Secretary-General Nikolai Bordyuzha announced that the CSTO and SCO would sign a memorandum of understanding (MOU) detailing areas of future cooperation between the two organizations including 'military co-operation as such, but also all kinds of security issues facing the states in our region that we must tackle together' (SCO, 2007). So, while bilateral inclusion of China into CSTO is problematic for this Russia-led security organization, an engagement with China is more acceptable via the multilateral avenue of the SCO. Moreover, the SCO's 'Peace Mission 2007' counter-terrorism exercise was held in Russia's Chelyabinsk region between 9 to 17 August. This exercise involved some 6500 personnel with the bulk coming from Russia and China.

In economics relations, Sino-Russian energy cooperation stumbled partially following a pipeline routing decision by Russia that favoured a longer route, but one that avoided the potential for China to exercise control over it and thereby the risk of linkage to price negotiations or to other possible future disputes. They are clearly competitors for access to Central Asian oil and gas resources (Jaffe and Lewis, 2002; Davis and Azizian, 2007; Andrews-Speed et al., 2002). Discussions taking place regarding the creation of an SCO 'energy club' may provide an additional negotiating outlet to manage the energy relationship. But there are also broader Russian economic fears that it is simply becoming a raw materials supplier to China. In other words, Russia is becoming structurally trapped in a role of economic handmaiden to a rising China.

In this relationship, each has a distinctive vision of SCO, a preferred way for it to grow beyond countering US influence, some degree of counter-separatism/terrorism/organized crime, plus economic coordination. Russia is limited to this. The CSTO is its preferred vehicle of operational choice although it favours greater coordination with the SCO on security; hence the signing of the MOU between the CSTO and the SCO. For China, it

emphasizes the economic and counter-terrorist security as well as an international political role for SCO. China has invested significantly in the SCO and it provides a credible multilateral alternative vehicle for pursuit of China's national interests including countering US influence and regional meddling as the US projects its economic and military and diplomatic influence for pro-democratic regime change and its definition of security stability and orderliness in line with the encouragement of a pro-West/pro-US regional order.

Central Asia has been the subject of US interest for much of the post-Cold War era and following the emergence of the CARs as independent states as Russian influence and political control waned throughout the 1990s. US geopolitical interests in regional stability centred upon the promotion of Western-style liberal pluralistic representative government ('democratization'); geo-economic interests upon energy security and the promotion of market economies; and geostrategic interests upon the balance of power with Russia and, more recently, China. Central Asia's pivotal geopolitical location offers power projection potential vis-à-vis Afghanistan, Iraq, Iran and Pakistan. Post-9/11, Central Asia's strategic significance for the US has increased. The CARs became even more important in the US-led fight against terrorism and particularly political violence justified in the name of Islam.

Hence, the past decade or so saw the US broaden and deepen its military, economic and political ties with the governments of this region. The US leased the Hanabad Airfield in October 2001 and then formalized a US-Uzbekistan 'strategic partnership' in March 2002; it leased the Manas Airfield in Kyrgyzstan in 2001 and also gained operational access to Tajikistan's Kuliab Airfield in 2002; it expanded its Foreign Military Sales and Assistance programmes in the region, supported the creation of the Central Asian Peacekeeping Battalion (CENTRZBAT) as well as increasing its bilateral economic aid. This vigorous US regional engagement was further intensified with the US-led invasion and the subsequent deployment of the NATO-led International Security Assistance Force (ISAF) in Afghanistan (Tolipov, 2006; Dwivedi, 2006). For some, the US involvement was less about short-term counter-terrorism objectives and more to do with using 'its military presence to introduce total US political and economic presence in Central Asia' as part of a long-term US 'strategic plot of dominating the entire world' (Gao, 2002: 1).

Diagnosis of the competition for influence over the developing regional political order of Central Asia and the Sino-Russian relationship in particular might seem to imply marginalization of the Central Asian SCO member states. However, the reason that the SCO is of interest lies in the fact that the CARs participate for reasons of substance, not only for

political grandstanding, important as this probably is, however, for some leaders. The SCO is relevant to the CARs firstly because it gives them a more visible and substantive voice in the affairs of their own region. The SCO format allows the CARs to actively engage as equal members in an international organization with China as it is excluded or absent from all the other regional organizations. In 2006 all the CARs accounted for only 0.6 per cent of China's total foreign trade, and only 3 per cent of that of Russia. But China and Russia both loom large in the foreign trade of the CARs with China accounting for 12 per cent and Russia 17 per cent of their total foreign trade in 2006. This is especially true for China's contiguous neighbours (Kazakhstan, Kyrgyzstan and Tajikistan) where the volume of trade for each of them with China is now comparable with their trade with Russia. For example, in 2006, 34.3 per cent of Kyrgyzstan's foreign trade was with China compared with Russia's share of 27.2 per cent (Paramonov and Stokov, 2007: 4). The problem for the CARs is China's continually growing appetite for raw materials and energy supplies. If raw materials accounted for 77 per cent of the CARs' trade with Russia in 2006 (up from 65 per cent in 2003) then this lags behind the 90.2 per cent accounted for by raw materials in the CARs' trade with China, up from 84.4 per cent (Paramonov and Stokov, 2007: 5).

The SCO also appeals to the CAR leaders in so far as it provides avenues for regional 'balancing' vis-à-vis China and Russia (Maksutov, 2006; Olcott, 2006). Membership of the SCO gives the CARs some degree of extra political leverage with the US (for example for additional financial leverage in forces deployment negotiations) by suggesting that they have credible alternative options to the US. Moreover, the SCO is regionally focused and committed, unlike the Organization for Security and Co-operation in Europe (OSCE), which despite its Central Asian programme is more pan-European in character. The OSCE is also explicitly committed to furthering democratic change actively within the political space of its membership, something that sits uncomfortably with some Central Asian leaderships.

5. CONCLUSIONS

A recent Stockholm International Peace Research Institute (SIPRI) evaluation of the SCO concluded that, on overall balance, 'the SCO makes some real impact on the security of the wide territories it covers and that it has real potential for further development' (Bailes et al., 2007: iv). The analysis presented in this chapter would tend to support this view. The notions of leadership and 'governance' have never been straightforward either

conceptually or in practice. Complex, and sometimes contradictory, processes of regionalization and especially globalization are complicating further both of these elements of global politics. This is particularly evident in the inescapable requirement of contemporary governance for states to evolve multilateral structures, agencies and policy regimes to seek successful resolution of problems common to them. In the context of Central Asia, the Sino-Russian relationship and the SCO, the perceived limitations of autarkic and bilateral approaches helped spur the formation and development of the SCO. This does not mean that national or bilateral approaches or inter-state relationships are transcended or marginalized. The multilateralism of the SCO remains an inter-governmental organization solidly grounded in state sovereignty. As such, SCO promotional rhetoric aside, it is an adjunct to national and bilateral politics. Its course has been significantly, although far from exclusively, driven by China and by Russia in traditional geopolitical, geostrategic and geo-economic goals of marginalizing US influence on the one hand, and their bilateral competition for political influence, resources and markets, and strategic advantage in Central Asia on the other.

Yet there is more to the SCO today than meets the eye and this takes us beyond the limitations (conceptual and practical) of the classical orthodoxy of political realism and state-centrism. Yes, the SCO moves at a pace determined by its members and by 'consensus' decision-making grounded in national state interests of the members. This can mean the last member standing determines the pace of negotiated movement. But, in practice, the SCO's multilateralism is becoming: (i) more than the sum of its parts in terms of organizational culture, for example and in habits of dialogue among member states; (ii) more than what China (or Russia) say it is, that is, it is more than 2+4; the '4' have credible voices and 'the Shanghai spirit' is more than political hyperbole. Nonetheless, pragmatic politics remain. The SCO has an instrumental value beyond the specific policies and projects for security and development for the CARs. The SCO offers the CARs a useful political avenue wherein they can actively use China as a counterweight to Russia on issues over which they differ (Olcott, 2006).

The focus here in this chapter has been upon the SCO, security and development, and of course China's involvement. If leadership, in the SCO context at least, is issue-driven and security issues are recognized as being intimately tied to the challenges of development, then the leadership decisions of the SCO and its members need to shift away from traditional, military notions of security. There is evidence in the discourses of the political elite and the supporting network of policy and academic advisors that this is understood; that overcoming transborder threats such as terrorism and crime requires substantial investment in improving the socio-economic

conditions that contribute to their increase. The difficulty for China, however, is that it must tread carefully. In economic relations with Russia it is experiencing a significant increase in trade volume. The same is true with respect to the CARs. China's economy is contributing significantly to the recovery of the neighbouring economies and, as we have seen above, especially to those with which it shares a border. China benefited from the 1999 collapse of the Russian economy and the need for the CARs' to find alternative markets and economic assistance. But the scale of China's share of the CARs' total trade volume, and particularly the share of raw materials and energy in this trade is a potential political problem, and so too for Russia. The SCO may be providing a means for this dependency to be intensified and hence a source of concern in itself, and may be pushing the CARs further towards alternative regional groupings and to the European Union, itself active with its own Central Asia policy and economic support programmes.

Moreover, it is also clear that 'security' has to be grounded firmly in an SCO 'human development' and 'human security' agenda focused upon poverty alleviation, 'humane governance', and respect for human rights and a stepping back from a politically-calculated reduction of 'separatism' to 'extremism' and hence to 'terrorism', particularly with respect to designated Islamist 'radicalism'. Given the SCO's bedrock mission of countering the 'three evils', without such a focus, a deficit of political legitimacy awaits the SCO. Unless the SCO works with its members to promote human security grounded in human development, democratization and the protection of human rights, governmental transparency and accountability, and the inviolability of the rule of law, then it will itself become a barrier to progress and ultimately render itself meaningless in terms of its adopted goals. The issue of terrorism, for example, is problematic – the sources of terrorist acts can be manifold and the process of defining who is a terrorist is overtly political. Olcott (2006) has argued that rhetoric aside, the SCO members, including China, differ from the OSCE in so far as they work from the proposition that: 'security threats come from groups with alien – and I would read extremist – ideologies and are not produced as a result of the domestic and, in particular, of the human rights abuses of the governments themselves' (pp. 25–6).

According to Human Rights Watch (HRW), all the SCO member states

have committed serious violations of human rights and humanitarian law in the name of counter-terrorism. Of particular concern are SCO members' records with respect to extraditions, renditions, extrajudicial executions, treatment of terrorism suspects in police custody, and the treatment of religious dissidents and of ethnic minorities, among others, who peacefully advocate independence (HRW, 2006: 1).

HRW representatives assert that 'some SCO countries have conflated domestic dissent with terrorism, and used abusive means in combating it' (HRW, 2006: 1). China has been particularly active in seeking to implement the SCO's Shanghai Convention on Combating Terrorism, Separatism and Extremism, and to draw upon the RATS in order to help it counter Uighur separatists in Xinjiang. According to HRW, the SCO

helped China gain international acceptance for its portrayal of Uigher strife as inspired by, and linked to, international Islamic terrorism. . . . At Beijing's request, some Central Asian members of the SCO effectively silenced independent Uigher organisations on their soil and forcibly repatriated refugees wanted by China – some of whom have been executed upon their return (HRW, 2006: 1).

Post-9/11, the Bush Administration added the East Turkistan Independence Movement to its list of terrorist organizations. Blank (2005) suggests that this was rewarding China for supporting the US-led war against terrorism. The Chinese Government and the SCO strongly refute these allegations.

Clearly, there is a record of terrorist violence in China, Russia and the CARs in recent years, although not on the scale claimed, nor is it driven by the rationales attributed to them by the various governments. Yet if the lessons of successful conflict resolution elsewhere are not embraced by the SCO and its principal members – especially through economic security (Trisko, 2005: 386) and human development strategies (UNDP, 2005) – then there will be no long-term solutions here. If, as the human rights NGOs warn, RATS develops simply to assist member states in violent repression of their internal dissenters, then the SCO will become an internationally isolated pariah organization and its constructive economic and social initiatives overshadowed. In this respect, the SCO's recognition and engagement with the UN, the EU and the Organization for Security and Co-operation in Europe (OSCE) is potentially more significant.

China has invested heavily in the SCO. Unprecedented, China is a cofounding member, the Secretariat is based in Beijing, and the organizational culture is characterized as the 'Shanghai spirit'. China is concerned about geoeconomic security through the fostering of trade and investment growth and energy supplies and a build-down in issues of security such as borders definition, separatism and terrorism. China's goals in promoting the SCO may be generalized as:

- Ensuring stability and order in the Central Asian region to sustain continued economic growth in the respective economies and energy security;

- Developing further freer trade and investment in the region;
- Establishing counter-separatist and counter-terrorist policy consensus and encouraging capacity-building – particularly with regard to Xinjiang;
- Promoting an alternative to economic dependency upon the West by promoting a diversification in China's trade and investment relations;
- Ensuring that the Central Asian regional 'order' is oriented most favourably towards Chinese interests rather than those of Russia, the US or, more distantly perhaps, Japan.

In acting to establish the SCO, China was, and is, in a unique position. Unlike all the international organizations it has joined, the SCO offered an unprecedented opportunity to be able to set out the founding principles, structure and objectives for a regional organization. Indeed, in many key respects, this was a chance to create the SCO after its own image. China's diplomacy through the SCO is influenced by traditional inter-state concerns, especially the balance of influence vis-à-vis Russia, the US and Japan. But China is also genuinely influenced by the exercise of 'soft power' through the multilateral diplomacy 'with Chinese characteristics' essentialized in the idea and practices of the 'Shanghai spirit'. The discourse of Deng Xiaoping's '24 Character' strategy, the 'five principles of co-existence' and the current emphases upon peaceful development and harmonious society ought not to be underplayed as mere rhetoric. More widely, moving to the macro level, perhaps China's approach resonates with the 'ASEAN way' (if not necessarily the 'Asian values' argument) and also, to speculate, with the potential for global systemic cultural change in the twenty-first century with a global shift in power structure towards China and its inevitable influence upon the global political system. In other words, we may witness a movement in the character of global governance itself away from Western-centric cultural norms of political practice.

NOTES

1. *Daily Telegraph*, 15 June 2006.
2. See International Institute for Strategic Studies (IISS) website at <http://www.iiss.org/whats-new/iiss-in-the-press/press-coverage-2006/june-2006/head-of-sco-iran-not-a-terrorist-state>.
3. SCO, *Interview of SCO Secretary-General with French TV Company 'CAFA'*, 4 June 2007, <http://www.sectsc.org/html/01417.html>.
4. *The Economist*, 29 March 2007.
5. *China.org*, 'Year of China in Russia', <http://www.2007china.org>.
6. *Christian Science Monitor*, 'Russia, China looking to form "NATO of the East"?' 26 October 2005.

7. See International Institute for Strategic Studies (IISS) website at: <http://www.iiss.org/whats-new/iiss-in-the-press/press-coverage-2006/june-2006/head-of-sco-iran-not-a-terrorist-state>.

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PART VI

Intermediary powers? The United States and Korea

11. The United States and East Asia: the decline of long-distance leadership?

Mark Beeson

1. INTRODUCTION

One of the most influential sources of leadership in East Asia over the last 50 years or so has come from outside the region itself. Although there is some debate about the extent, basis, durability and nature of American leadership, few would dispute that the United States has exerted a powerful influence over East Asia, particularly in the period since the Second World War. While the region may not be unique in this regard – the US as the world's sole remaining superpower has been a major factor in the development of every other region, too – East Asia's post-war trajectory has been especially marked by American influence. Indeed, for better or worse, East Asia's recent development history, its intraregional relations and its place in the overall international system might have been profoundly different were it not for its engagement with the United States. Whether the US will continue to exert such a powerful influence in the future is less clear, however.

To understand why the US might loom so large in East Asia's recent past and how its influence might be changing, we need to historicize its relationship with the region. This involves saying something about the nature of American power and the way it has been understood theoretically. Consequently, the chapter begins with a brief consideration of the nature of 'American leadership', making the point that this can be very different from the sort of institutionalized 'structural' power that has been such an enduring part of American influence. The key point that emerges from this discussion is that the effectiveness and coherence of American leadership in East Asia has fluctuated, and has not simply been a function of its underlying structural dominance. Indeed, I argue that despite the contemporary international system frequently being characterized as 'unipolar' and unparalleled, there are substantial grounds for thinking that the US's

capacity for exercising leadership is actually in decline. The rest of the chapter explains how this situation has come about. After first sketching the US's historical influence over East Asia, I explain how its capacity for leadership has been steadily eroded. This has come about, I suggest, partly as a consequence of the rise of China and a growing interest in an exclusive form of East Asian regionalism that excludes the US, but primarily because of America's own political, economic and strategic problems.

2. BOUND TO LEAD? STRUCTURE, AGENCY AND AMERICAN POWER

Writing nearly 20 years ago, Joseph Nye (1990) argued that the US was 'bound to lead' the international system as a consequence of its overwhelming material and ideological dominance. In part, Nye was responding to Paul Kennedy's (1989) highly influential thesis, which claimed that American power was entering a period of inevitable and unstoppable decline brought about by 'imperial overstretch'. Such debates are not just historical curiosities, however. Precisely the same sorts of debates continue between those who think that American power is unparalleled and enduring, and those who argue that its authority and even its material dominance have been eroded, especially by the ill-advised, highly unpopular conflict in Iraq. Before considering the merits of such ideas and their possible impact on US relations with East Asia, it is worth making some initial observations about the sources of American power.

One way of understanding how American influence operates, I suggest, is to make a distinction between the 'structural' and 'agential' aspects of American power. Although structure and agency are deeply connected, mutually constitutive forces (see Wendt, 1987), it is useful to isolate the different properties associated with each to gain a clearer understanding of the nature of American power and influence. Only those countries that have enjoyed economic pre-eminence have been able to assert a concomitant influence over the international system, so it is worth spelling out how these forces have worked and why they have had such an impact on East Asia.

After the Second World War it was clear that the US had the world's largest and most dynamic economy and would play a major role in determining the shape of the emerging international economic order. One of the reasons that the US was able to exert such a profound influence on not only East Asia, but also on the rest of the non-communist world for that matter, was simply as a consequence of this economic dominance. In 1953, the US alone accounted for 44.7 per cent of the world's manufacturing output (Bairoch, 1982), a situation that stands in marked contrast with its current

position. The rapid rise of China (and India) as a global economic power is steadily undermining the importance of the American economy, something that has potentially major implications for its concomitant political influence. Initially, however, US dominance was entrenched in the Bretton Woods institutions (for example United Nations, International Monetary Fund), and was deeply reflective of American values and preferences. When thinking about the sources of American power it is important to recognize the pervasive, enduring nature of its influence. This owes a great deal to the US's ability to institutionalize an international order that reflected and enhanced its dominance (Ikenberry, 2001), or to turn structural potential into political agency. The possible unravelling of this multilateral order and the shift to a more unilateral foreign policy stance on the part of the US is, as we shall see, one source of its declining leadership influence.

The links – and possible contradictions – between structural or material power on the one hand, and agential influence on the other, are also evident in the US's strategic dominance. Fifty years ago the US not only had the largest economy, it also had the world's dominant military force. Of course, this is still the case, as those who emphasize the material elements of American primacy are quick to highlight (Wohlforth, 2002). But the world was a very different place in the late 1940s and 1950s; the rapidly escalating military stand-off with the Soviet Union gave the military a prominence and importance it no longer enjoys. One of the most widely noted features of the contemporary international order is the decline of inter-state warfare (Väyrynen, 2006), something that potentially robs the US of a good deal of influence and leverage. The diminution of strategic leverage has been further undermined by the current conflict in Iraq and the maladroitness of the 'war on terror'. This situation stands in marked contrast with the febrile atmosphere of the Cold War, when America's capacity to actively 'lead' and the willingness of other countries to follow – in the capitalist world, at least – was considerably enhanced. As Gaddis (2004: 64) points out, much of the willingness of America's allies to go along with its leadership flowed from the perceived legitimacy of the cause compared to the Soviet alternative.

The importance of this ideational or ideological aspect of the Cold War in particular and of American foreign policy more generally is also worth emphasizing. While there is clearly an important structural aspect of US's recent dominance of the international system, it is equally apparent that it has made an enormous difference to the constitution of the inter-state system that it has been America rather than some other potential hegemon that has been in the ascendant (Reus-Smit, 1999). This has been manifest in an ideological commitment to the promotion of liberalism and (to a significantly lesser extent) democracy, and to a particular view of itself as

a force for enlightenment and good in world affairs (McDougall, 1997). Not only have such domestically rooted views about the unique historical role of the US given a distinctive cast to the nature of American foreign policy and influenced the way such policies have been pursued, but they have made many American policy-makers remarkably oblivious to the way America is perceived in the world. As Barry Buzan (2004a: 164) notes, the 'combination of a benign self-image as the carrier of universal values and domestically driven foreign policy insulates the US from the idea that peoples abroad oppose it, or even hate it, because of its foreign policies rather than because they oppose or hate its values'. This matters more now because of the declining legitimacy and thus authority of American policy. The potential importance of this point becomes clearer if the contemporary situation is contrasted with earlier phases of American dominance.

Historicizing American hegemony reminds us that debates about the nature, impact and importance of American power are not new. Charles Kindleberger (1973) famously argued that the Great Depression was largely a consequence of a failure of American leadership to provide public goods, a stabilizing influence, and an open economic system, sparking a major debate about the nature and impact of American hegemony that continues to this day (Beeson, 2006). The fact that Kindleberger operated from a broadly realist position explains his state-centrism and his emphasis on leadership rather than the more encompassing, multi-dimensional notion of hegemony. The key point to emphasize here is that American leadership matters, but that its impact and content are powerfully mediated by contingent circumstances. At one level, as we have seen, this may reflect the bipolar structure of the post-war intentional order, and the size and importance of the US economy, especially for its capitalist allies. At another level, the content of American leadership – its agential component, if you will – is shaped by a combination of ideas, interests and institutional variables at both the international and national levels.

'The extent to which the domestic political system frustrates or constrains US leadership has', according to Michael Mastanduno (2005: 257), 'been significantly exaggerated.' This is an especially important claim when we remember that the American political system is famously characterized by inbuilt checks and balances, especially between Congress and the Executive, that are intended to constrain government. In addition, the historical tensions between isolationists and internationalists, multilateralists and unilateralists (Lake, 1999), might lead us to expect major changes in policy direction and content. In reality, however, American foreign policy has shown remarkable continuity. The structurally imposed constraints of the Cold War may have made such an outcome in recent history entirely predictable, but Andrew Bacevich has persuasively argued that a consistency of

purpose has been a continuing characteristic of American foreign policy even in the post-Cold War period. Bacevich (2002: 88) suggests that a commitment to 'openness' has been the continuing 'Big Idea' underlying recent American policy: 'the removal of barriers to the movement of goods, capital, people and ideas, thereby fostering an integrated international order conducive to American interests, governed by American norms, regulated by American power, and, above all, satisfying expectations of the American people for ever-greater abundance.'

While it is possible to quibble about both the extent of America's support for the universal liberalization of population flows, and its commitment to reducing its own barriers to trade, nevertheless Bacevich highlights some important continuities in American policy. But it is one thing to have some consistency of purpose, it is quite another to see this supported and realized. For that to occur, policy – especially that of another country – must enjoy a degree of authority, legitimacy, or the promise of some instrumental pay-off that makes support or at least acquiescence worthwhile. The rest of this chapter looks at the evolution of American foreign policy in East Asia and argues that the fortunate and sustaining confluence of structural and agential factors that sustained American hegemony for so long are beginning to unravel.

3. HISTORY, HEGEMONY AND EAST ASIA

Hegemony is different from leadership, and both aspects of American power are evident in its relations with East Asia. America's military primacy was demonstrated vividly in its defeat and subsequent occupation of Japan, and meant that the US would inevitably play a role in leading the construction of East Asia's post-war international order. But hegemony means more than simply imposing foreign policy preferences on weaker or subordinate powers. For hegemony to be enduring it requires a degree of consent and support from less powerful states – something both radical and liberal theorists of hegemony have highlighted. What was striking about American hegemony in the post-war period was that for many of its allies it offered a number of potential long-term advantages, which generally outweighed any possible disadvantages that came with American dominance. It is worth spelling out what these were, as the calculus of advantage has started to shift, despite the persistence of the earlier structures of dependency and domination.

Two inter-connected, but distinct and differentially realized aspects of America's post-war relations with East Asia were vital in underpinning its overall dominance. On the one hand, the multilateral institutional order

associated with the Bretton Woods' regime held out the prospect of integration into what would eventually prove to be a highly effective and expansionary economic order. On the other hand, a series of bilateral, 'hub and spokes' relationships in East Asia constituted an America-centric security architecture that profoundly influenced the trajectory of regional development. Indeed, it effectively foreclosed the very possibility of meaningful regional integration until the end of the Cold War (Beeson, 2007). Some observers suggest that the historical animosities that are such a prominent and endlessly-invoked part of East Asian history 'virtually *bid* the United States to play the "hub"' (Joffe, 1995: 114 [emphasis in original]). The reality is more complex: not only did the US treat post-war East Asia very differently from Western Europe, but from the start the Americans were determined to play a more immediately interventionist role in directly shaping East Asia's post-war order (Beeson, 2005). The logic and impact of American bilateralism was most obvious in the reconstitution of Japan as a pivotal, subordinate part of the region's strategic architecture (Schaller, 1997). That Japan has remained in a dependent and subordinate position and is consequently unable to exercise effective regional leadership despite its economic renaissance is testimony to the durability and importance of the relationships established in this period.

It might be objected that Japan is not a 'normal' country and its historical ties to the US are atypical. While there is something in this, it is still the case that the US has effectively determined the shape of the region's security institutions and its intraregional relations – even for those countries that are not allies. The most obvious manifestation of this possibility, of course, was the US's involvement in the region's two most recent major wars in Korea and Vietnam. Somewhat surprisingly, America's participation in these bloody conflicts did little to undermine the idea that regional stability was dependent on the continuing strategic presence of the US in East Asia. Whatever the merit of this idea – and it is not as widely or uncritically supported as it once was (see Alagappa, 2003) – it is plain that it has influenced the evolution of the region's institutional architecture. The most enduring multilateral institution in the developing world – the Association of Southeast Asian Nations (ASEAN) – owes its existence, in large part, to the Cold War divisions American grand strategy helped entrench, and to the prospect of America's strategic withdrawal from the region under the rubric of the Nixon Doctrine. Similarly, two of ASEAN's most significant claims to fame – the resolution of the conflict in Cambodia and the establishment of the ASEAN Regional Forum – have been dependent on an absence of American opposition. Even what has arguably proved to be the most pivotal moment in East Asia's post-war history – the rapprochement between the US and China which ultimately opened the way for the latter's

rise via its reintegration into the international system – occurred as a consequence of shifts in American rather than East Asian policy (Cumings, 1999).

The potential paradoxes of American policy were evident in the differences between, and impact of, America's economic and strategic goals as they became increasingly separate and disconnected over time (Mastanduno, 1998). The most obvious expression of American influence was strategic: its policies reinforced ideological divisions across the region and help explain the limited amount of regional political integration that occurred there as a result. At the economic level, however, the consequences of American policy have been less obvious and immediate, but may have greater long-term ramifications in an era where inter-state war is less common. Indeed, it is hard to overstate the importance of much of East Asia being revitalized within the framework of an America-centric, capitalist hegemony, especially given China's recent incorporation into the global economy. In the shorter term, however, the preoccupation with military confrontation and grand strategy meant the Americans were willing to turn a blind eye to the authoritarian politics and/or mercantilist economic practices that were such a distinctive part of the East Asian developmental experience (Beeson, 2007; Stubbs, 2005).

One of the key consequences of this period generally and the priority the US attached to capitalist consolidation in particular was, America's declaratory rhetoric notwithstanding, frequently anti-democratic. The exigencies of the Cold War era actually helped consolidate the 'strong' states of Japan, South Korea and Taiwan and the patterns of interventionism that were their hallmark (Woo-Cumings, 2005). As far as America's possible hegemonic influence and its capacity to exercise decisive leadership were concerned, this period highlighted the limits and contradictions of its overall position. To be sure, the US was able to shape the overall structural configuration of the international system, especially during the Cold War, but it is equally clear that enthusiasm about, and support for, American economic practices was less than fulsome or universal. Indeed, the persistence of a degree of antipathy, if not outright hostility, toward the more doctrinaire aspects of the 'Washington consensus' is a surprisingly common feature of East Asia's integration into the international economic order the US did so much to constitute (Beeson and Islam, 2005).

This was especially galling for the Americans given the otherwise unambiguous success of their overall engagement with the region. The 'East Asian miracle' may have owed much more to prosaic forms of state-led development than that label implies, but the net result, at least, was unambiguous: American aid and markets in combination with the efforts of East Asia's developmental states underpinned an historically unprecedented

economic expansion across much of Northeast Asia (Stubbs, 2005). The nurturing of successful capitalist economies may have fulfilled a crucial strategic objective in the struggle with communism, but it also created sources of relentless competition that would steadily undercut America's economic strength at home and abroad (Brenner, 1998; Arrighi, 2005). The emergence of first Japan and latterly China as formidable economic competitors owes much to the creation of an 'open' international economic order generally and existence of seemingly insatiable American consumers in particular. Attempting to reconcile the different objectives of strategic and economic policy would become a major problem for the US as it also found itself having to rapidly adjust to the new post-Cold War international order that it had done so much to bring about.

4. LIFE AS A NORMAL NATION

The 1990s may come to be thought of as something of an aberration, sandwiched as they are between the Cold War and the so-called 'war on terror'. But for a moment, at least, it looked as if geo-economics was permanently set to eclipse geopolitics in the minds of policy-makers around the world. For the US, too, this meant giving further emphasis to the sorts of things 'normal' nations did: that is, promoting domestic development and the pursuit of the 'national interest'. If one relationship highlighted the priorities and approach of the US in the new era, it was the relationship with Japan.

In the aftermath of Japan's decade-long recession, during which it became synonymous with policy inertia and economic under-achievement, it is easy to forget just how concerned American policy-makers were with the possibility that Japan might overtake it economically. Throughout much of the 1980s in particular, there was an influential literature that described a seemingly inexorable process of American decline and which depicted an international order 'after hegemony' (Keohane, 1984; Kennedy, 1989). We now know, of course, that such prognoses were at least premature. But before considering the current situation, and what I suggest is the continuing erosion of American leadership, it is worth reminding ourselves of why the US seemed to be in decline.

Two points emerge from this period generally and from America's relationship with Japan in particular. First, despite the relentless application of bilateral pressure by the US on Japan's policy-makers, it is debatable how much was achieved. Despite the seemingly interminable trade talks that were such a feature of the 1980s and early 1990s, the extent of trade liberalization was modest, and most likely only where there was a domestic

constituency in Japan that added additional leverage (Schoppa, 1997). As far as wider structural reforms that we might have expected to see as a consequence of American leadership and the adoption of American norms and practices are concerned, the record has been even more ambiguous: market-oriented reform has again been partial and perhaps inadvertent (Lincoln, 2001). This leads to the second point: where the greatest change has occurred as a consequence of American 'leadership', it has often come about as a consequence of the longer-term, unintended consequences of very different initiatives. The greatest consequence of American leadership in this context was arguably the Plaza Accord which, while failing to do much about its ostensible target – America's trade deficit with Japan – had the effect of creating Japan's 'bubble economy', which would ultimately have far-reaching impacts on Japan's domestic political economy in general and the governance of its financial sector in particular (Calder, 1997).

The point to emphasize again is the disjuncture between, and differential impact of, elements of American power. The fact that the US economy had been, and remained, of critical importance to Japan and its distinctive, politically embedded export-dependent economy, meant that it had potential leverage over Japanese policy-makers who were compelled to cooperate with the Americans and, indeed, to make concessions with tangible outcomes, at times (George, 1997). However, there were plainly limits to what American pressure could achieve. While some observers consider America's 'penetrated hegemony' a source of strength that allows legitimacy-enhancing access by subordinate powers (Deudney and Ikenberry, 1999), others fret about the way that American policy has been defined by the actions of powerful foreign and domestic lobbies (Mearsheimer and Walt, 2006). But whatever the confluence of forces that shaped the discursively realized and protean content of American foreign policy it was plain that it was not always motivated by Kindlebergian concerns about systemic stability. Increasingly, American policy has been dedicated to the pursuit of a narrowly conceived, bilaterally pursued 'national interest'.

The expectation that the direct application of bilateral leverage might yield greater dividends than collective, multilateral approaches when dealing with recalcitrant trade partners helps explain American attitudes toward an institution that might otherwise have been expected to further American interests and promote American values: the Asia Pacific Economic Cooperation forum (APEC). In many ways APEC highlights the contradictions, limits and underlying continuity of American policy. The very fact that it was Japan and Australia that played the initial leadership role in promoting an institution which – given its trade liberalization agenda – we might have expected the US to champion, tells us something important about both the absence of consistent US leadership (as opposed

to broader, structurally embedded dominance) in the region, and about America's overall ambivalence about the value of institutionalization in the Asia Pacific. In retrospect the Americans may have been correct in thinking that an institution that relied on the 'ASEAN way' of consensus and voluntarism, and which lacked enforcement mechanisms and binding agreements was unlikely to achieve much (Ravenhill, 2001). What is clear is that a lack of continuing support for and leadership within APEC by the Americans has undermined, perhaps fatally, APEC's long-term prospects. Revealingly, when presented with an opportunity to intervene more directly in East Asian affairs by the East Asian crisis, American policy-makers chose to act through the International Monetary Fund rather than APEC (Beeson, 1999). This episode marked both a high point in American intervention or leadership in East Asia, and the beginning of a decline in the extent of its influence on the region.

5. THE DECLINE OF LONG-DISTANCE LEADERSHIP

The East Asian financial crisis and its aftermath proved to be something of a turning point for both intra- and inter-regional relations, and it is worth spelling out why, as this period had major implications for American leadership in the region. The first point to emphasize is that American actions in the aftermath of the crisis were frequently seen to be opportunistic, insensitive and unhelpful. Consequently, they were widely resented across much of the region. While it may have been the IMF that made much of the running in attempting to impose neo-liberal reforms, (of a sort that had been resisted before the crisis), America's dominance of the international financial institutions made it easy for East Asian leaders to connect the dots (Stiglitz, 2002). The fact that the policies proposed by the IMF were seen as inappropriate and counterproductive added to the generally negative perceptions of American conduct in the immediate post-crisis atmosphere. In the longer term, the most enduring impact of the crisis may have been to transform much of the received wisdom in East Asia about the region itself, its relationship to the wider world, and what many continued to see as the inescapable necessity of American primacy.

Three factors were especially important in catalysing this change. First, the crisis made it painfully obvious to East Asian policy-makers that there were potential costs as well as benefits from integration into a global economy, especially one characterized by rapid, massive movements of mobile capital. Second, it was clear that, in the event of such a crisis, the region was highly reliant on external assistance and very vulnerable to the

intrusive reform agendas of actors from outside the region. Finally, it was equally apparent that the region had little indigenous capacity to deal with such crises, and hardly any effective leadership within the region itself. Paradoxically enough, therefore, East Asia's much discussed leadership failures (see, for example, Lincoln, 2004) may yet provide the most important challenge to, and erosion of, America's long-distance, de facto, sometimes inadvertent, leadership of the region. Indeed, some believe that 'the American approach in Asia has created a leadership vacuum into which China can and has adroitly stepped' (Heginbotham and Twomey, 2005: 246).

China was arguably the only country to emerge from the East Asian crisis with its position unambiguously improved. The details of this transformation are covered elsewhere (see Chapter 7) and need not be rehearsed here in any detail. Suffice to say that China's 'responsible' attitude, especially its willingness to maintain the value of its currency and not add to the region's downward economic spiral, was greatly appreciated in the region. More than that, China's constructive role contrasted with that of the US and of its key ally Japan: not only were Japan's own leadership aspirations initially snuffed out by the US, but it was seen by some observers as having been responsible for the genesis of the crisis itself (see, respectively, Katada, 2002; King, 2001). In such circumstances, China's position was significantly enhanced, especially as its increasingly deft and sensitive diplomacy reinforced its emerging structural power. It is worth briefly indicating just how much China's position in the region has changed, because it has direct implications for the US and helps to explain the erosion of American influence.

Two aspects of the 'rise of China' are especially germane. First, and most tangibly, the remarkable expansion of China's economy – ironically enough, a consequence of its incorporation into a capitalist international order shaped by American hegemony – has transformed its relationship with its neighbours (Ziegler, 2007). One of the key reasons that East Asia recovered so rapidly from the effects of the crisis has been because China has provided a major catalyst for regional growth. Not only has China become of central importance to the countries of East Asia, but America's position is not as vital as it once was either (*The Economist*, 2007). Indeed, the US's dependence on China and Japan for continuing inflows of capital to fund its budget deficit and consumption patterns marks a major shift on the balance of power between East Asia and North America, and a significant erosion of America's material dominance (Murphy, 2006). Even if this latent leverage is too risky for any other state to utilize without triggering a major economic and political crisis, it still marks a potentially major turning point in the relative standing of the US and China (Arrighi, 2005). This profound, continuing reconfiguration of the underlying patterns of economic integration in the region is significant enough in itself

but, in China's case, it is being reinforced by a surprisingly sophisticated and effective 'charm offensive' that is winning over formerly nervous, if not hostile neighbours (Kurlantzick, 2007). Such realignments are bound to have an impact on the relative standing of the US, especially when its own actions stand in such sharp contrast.

Thus, while China has become an enthusiastic participant in a range on multilateral forums (Lampton, 2007), American foreign policy has become increasingly unilateral and confrontational (Daadler and Lindsay, 2003). Throwing off the constraining influence of multilateral obligations has always had its attractions as far as the US is concerned, but under the leadership of George W. Bush in particular, succumbing to the 'hegemonic temptation' and embracing unilateralism has become the Administration's defining characteristic. Given the influence of so-called neo-conservative thinking within the Administration, and the long-standing desire to exploit the strategic leverage that unipolarity seemed to confer, such an outcome was all too predictable, perhaps. What was less obvious was how this possibility would be reinforced by the increasing emphasis on security in the wake of 9/11. US foreign policy was significantly reconfigured, undermining the foundations of the most distinctive and enduring aspects of American hegemony and leadership: its legitimacy-conferring, confidence-inducing, multilateral institutionalization (Beeson and Higgott, 2005). In this regard, it is striking how rapidly and extensively attitudes toward the US have turned negative, and not just in the Middle East where its policies have had the greatest, most deleterious impact (Pew, 2006). While the 'war on terror' may not have been solely responsible for this transformation in attitudes, the relentless American emphasis on security has made life awkward for some of the states of Southeast Asia in particular, where governments must walk a fine line between support of the US and often hostile national sentiment (Glassman, 2006). In this context, the development of a less intrusive, more 'pragmatic' and development-oriented 'Beijing consensus' has begun to assume a greater attraction for those primarily concerned with national rather than international security (Ramo, 2004).

It is no small irony, therefore, that one of the most tangible manifestations of America's diminished influence and centrality in East Asian affairs has come in the construction of new regional institutions that self-consciously *exclude* the US. A number of points are worth emphasizing about this development. First, for a region that is stereotypically seen as being 'ripe for rivalry' (Friedberg, 1993/94), eternally on the point of conflagration, and wracked by barely contained instability and animosity, the fact that *any* form of indigenous regionalization is taking place is worthy of note. In reality, there is possibly an excess of regional initiatives and suggestions for institutional development (Pempel, 2006), which

threaten to become too much of a good thing and suggest that a process of institutional shakeout may occur in the future. Second, it is highly significant that the development of ASEAN Plus Three, which at this stage looks like becoming the most important regional grouping, is coalescing around China (de Santis, 2005). While it remains to be seen quite how important this grouping will become, it is significant that it has emerged at all, given that a similar Malaysian-sponsored initiative was effectively derailed in the mid-1990s by a combination of American opposition and a concomitant Japanese leadership failure.

For some observers, the re-emergence of China at the centre of East Asian affairs is something of a return to 'normal', and not something that the American policy-makers should necessarily become too exercised about (Kang, 2003). Predictably, enough, however, it is something that many American observers *are* concerned about. The fact that 'the United States' finds it so difficult to react to China's rise with any consistency tells us much about the constraints on and counterproductive nature of American leadership in the contemporary era. As Christensen (2006: 83) points out, one of the paradoxical consequences of America's East Asia policy has been 'to improve [China's] relations with its neighbours diplomatically and economically at least in part as a hedge against US power and the fear of encirclement by a coalition led by the United States.' Equally importantly, the dynamics embedded within the political economy of the US-China relationship mean that there are limits to what the US can now do: on the one hand, America is highly reliant on continuing inflows of capital, on the other, China's position in the international division of labour makes it a pivotal cog in global production (and consumption) processes, and one that many American business elites have a vested interest in preserving (Gaulier et al., 2006).

There is, of course, nothing inevitable about the course of international relations, and it is possible that the US could possibly reverse the recent pattern of declining influence. Indeed, it is important to recognize first, that the US retains powerful, structurally-embedded relationships in the region – particularly its bilateral alliances with the likes of Japan – that give it enduring influence and present a formidable obstacle to genuine, region-wide integration and cooperation in East Asia. It is also clear that there is a widespread recognition within the US of the costs of unilateralism and the need to revitalize American leadership and to reinvigorate the multilateral architecture of the Asia Pacific (Obama, 2007). However, even if US leadership proves more effective in the future, it seems likely that in the longer term, the relative position of the US will continue to decline if East Asia continues to expand economically and becomes more integrated politically as a consequence. Importantly, it is not simply the shift in the balance

of economic power that is crucial, but the apparent acceptance by China's neighbours of its rise to regional prominence. As Barry Buzan (2004b: 156) points out,

The contemporary record in Asia suggests that there is not much propensity to balance against China, even when its behaviour is provocative. If this behaviour persists, then it becomes difficult to avoid the conclusion that, if China can maintain its growth and modernization, the prospects for it being able to establish some form of hegemony in Asia look strong.

6. CONCLUDING REMARKS

When attempting to gauge the extent of American influence or leadership in East Asia, therefore, much depends on the time frame we adopt. When seen in the long sweep of history, the fact that there is no longer an ideological rival in the region, and that China is a capitalist country in all but name, are clearly developments of the utmost significance. They are largely a product of America's hegemonic influence and plainly of overall benefit to America's strategic position. Significantly, US policy during the Cold War – the period in which this transformation was incubating – was characterized by a high degree of integration in the agential and structural components of American power. Not only was the unambiguous ascendancy of the American economy of crucial importance to the rest of the world, but American policy-makers were able to reinforce this material dominance in an institutional order that reflected its norms and furthered its broadly conceived national and strategic interests.

The contrast with the present period is stark and instructive. Despite a rhetorical preoccupation with, and continuing determination to pursue, the 'national interest', this has proved more difficult in the present era. Ironically this has happened – in part, at least – because of the determination of the current Bush Administration to exploit its apparent primacy to pursue foreign policy goals. Even the neo-conservatives themselves now concede that this was hubristic and ill-conceived (Rose, 2006). Nevertheless, it was a policy that highlighted a shift from the benign or consensual elements of American hegemony, to a more coercive application of US power. While the impact of such policies may have been more tangential in East Asia than it was in other parts of the world, the overall consequences for the Bush Administration may prove universal and lead to a further erosion of American prestige, authority and – perhaps most tellingly in the long run – structural power.

This is hardly uncharted territory. It is worth remembering that the demise of the original Bretton Woods system occurred as a consequence of

an ill-advised conflict in Vietnam, and the longer-term consequences of growing economic competition in Europe and Japan. True, America's economic and strategic position recovered and much of the declinist literature subsequently looked premature at best. There are, however, grounds for supposing that America's long-term economic position is more precarious than it was during this earlier period, and that its long-term importance to the rest of the global economy is being slowly but steadily eroded as a consequence (Ferguson and Kotlikoff, 2003; Frankel, 2006). The key point as far as East Asia in particular is concerned is that the US confronts an economic and strategic rival that, unlike Japan in an earlier period, is unlikely to accept its subordinate status indefinitely. Equally importantly, and all other things being equal, it is widely predicted that China will overtake the US as the world's largest economy in the next few decades, a development that we might expect to confirm America's declining strategic and economic significance to the region.

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12. A shrimp among the whales? Korea in the Northeast and East Asia regional system

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1. INTRODUCTION

This chapter examines both the security and international political economy dimensions of Korea's key position in the Northeast and East Asia regional system. For more than a century, Korea has been the focus of the geopolitical struggle between the Asia Pacific major powers, Russia, China, Japan and the United States. According to an old Korean saying, 'a shrimp gets crushed to death in the fight between the whales'. As a small nation on the geopolitical fault-lines of Northeast Asia, Korea has suffered foreign occupation, devastating wars and division. The Korean Peninsula remains a critical factor in the future of the region. It is the one place in Northeast Asia where there continues to exist a serious threat of large-scale military conflict.

At the same time, South Korea has some considerable status in the regional political economy of East Asia. It is the region's third largest economy, one of its most advanced industrial states, has large conglomerated companies (the *chaebol*, such as Samsung) with considerable global reach and presence, and one of the world's most skilled and educated workforces. New and dynamic developments in East Asian regionalism have provided South Korea with opportunities to exploit its middle power position in Northeast and East Asia, as well as act as an intermediary between Japan and China, especially in Northeast Asia's emerging trilateral cooperation framework.

While South Korea may lack various forms of capacity to exercise regional leadership in a singular independent manner, the domain of economic affairs provides perhaps the best scope for it to perform certain intermediary functions in this regard, primarily with respect to China and Japan. In other words, South Korea may be a key facilitator of regional leadership by working in conjunction with others in the region. This

chapter essentially examines what difference Korea is making, or can make in the regional affairs of Northeast and East Asia.

2. THE SECURITY DIMENSION

2.1 The Evolving Security Dilemma on the Korean Peninsula

On 9 October, 2006 the North Korea news agency, the KCNA (Korean Central News Agency), announced that North Korea had carried out an underground nuclear test. Soon thereafter, US government sources confirmed that a nuclear event had taken place. Finally North Korea had joined the nuclear club, the end of a 15-year diplomatic struggle over its nuclear programme. This event marked a further escalation of the North Korean military threat and the culmination of a long confrontation over its nuclear programme. Once again the world was reminded that Korea is one of the critical flashpoints of international security today.

The division of Korea goes back to World War II when the Korean Peninsula was partially occupied by Soviet troops. The southern part was under US occupation for three years. Efforts through the United Nations (UN) to end the occupation and create a unified Korea were rejected by the Soviet Union, and consequently North Korea and South Korea were both formed in 1948. In 1950, North Korean armed forces, with support of the Soviet Union, invaded the South. The Truman Administration perceived this conflict as an act of communist aggression and quickly committed forces under the aegis of the UN, which restored the status quo by 1953. The current division of Korea is a legacy of these events. The dividing line across the Korean Peninsula, known as the 'Demilitarized Zone' (DMZ), was for many decades also the dividing line between the two blocs in the Cold War. Although the Soviet Union conceived of North Korea originally as a socialist client state along the lines of the Central European states, Kim Il-sung was not inclined to take orders from Moscow for any period of time. As the Sino-Soviet split unfolded in the 1950s, Kim played off both sides against each other and sought to preserve the maximum degree of independence and freedom of action (Lankov, 2002).

The Korean War was a devastating setback for the ambitions of North Korean leader Kim Il-sung for the reunification of Korea as a socialist state. In the aftermath of the war the US established a permanent military presence in South Korea, which made this objective unachievable in the short term, so North Korea focused on the reconstruction and development of the North Korean economy, without however abandoning the goal of unification. Between 1953 and 1962 the North Korean economy experienced

a rapid growth in output. The emphasis was on heavy industry to fulfil the requirements of a military-industrial base, rather than consumer goods. North Korean GDP per capita exceeded that of South Korea until the mid-1970s. North Korea nevertheless received grants and loans from the Soviet Union, China and various European socialist countries. The presence of Chinese forces in North Korea until the late 1950s relieved pressure on military expenditures. The North Korean economy was a centrally planned economy similar to that of other socialist countries. It was organized on the principle of *juche*, national self-reliance. Even though North Korea did rely to some extent on foreign economic assistance and trade, it developed the world's most autarkic economy and did not even join the Council for Mutual Economic Assistance. Although an ally of the Soviet Union, North Korea sought to reduce reliance on the Soviet Union and create a balance between relations with China and the USSR (Martin, 2004; Kim, 2006).

In the 1960s North Korea embarked on a sustained military build-up in support of a more aggressive pursuit of reunification. The size of the armed forces grew from 300 000 to about a million by the end of the 1970s, and military preparedness was absorbing an increasing share of national output. As support from its traditional allies was weakening, the correlation of forces on the Korean Peninsula was slowly changing. Relations between the two Koreas were defined by the contest for the 'Korean nation' and the battle for legitimacy between North and South Korea. In the early years South Korea suffered from political factionalism and uneven economic growth, misallocation of resources and rent-seeking behaviour. Politically, militarily and to an extent economically it was dependent on the United States.

The authoritarian government of President Park Chung-hee (1961–1979) maintained societal stability and presided over a period of economic development and industrialization. At the same time there was considerable discontent with the authoritarian nature of the regime. Relations with the US deteriorated as human rights violations raised concerns and President Carter proposed the withdrawal of US forces from Korea. In 1979, President Park was assassinated by the director of the Korean Central Intelligence Agency. After a period of a government dominated by the military under Chun Doo-hwan, pressures to move towards democracy increased in the wake of major civil society democratic movements in early 1987 and the 'Declaration of Democratization and Reforms' (29 June, 1987). The political struggles culminated in the new constitutional arrangement with the presidential elections in 1987 and the election of the National Assembly in 1998.

The end of the Cold War heralded a reversal of the security dilemma on the Korean Peninsula, which was the result of long-term political and

economic trends. South Korea had become a prosperous country, with increasingly stable democratic political institutions. The economy of North Korea was in serious decline. The main feature of the post-Cold War period is the weakness of the North Korean state. The principal factor determining North Korea's foreign policy is regime survival. The large-scale changes in the international system that culminated in the end of the Cold War also involved a transformation of the regional system of states in Northeast Asia. This had profound consequences for North Korea as both the structure of alliances and confrontations in which North Korea had been loosely embedded completely dissolved. The confrontation between Russia and China transformed into a strategic partnership of sorts, and both countries developed relations with South Korea, which soon became more significant in many respects than their relations with North Korea. Already during the Gorbachev period in the 1980s, Soviet interest had begun to shift towards closer relations with South Korea. Since the end of the Cold War Russia has lost both the incentive and the capacity to provide assistance to North Korea. By 1992 both China and Russia had officially recognized South Korea.

The North Korean economy virtually collapsed with the loss of cheap energy imports, the lack of manufactured goods from Russia and other aid. In the years 1990 to 1997, the North Korean economy declined by 42.2 per cent. Agriculture was hit by natural disasters in addition to its basic inefficiency, resulting in serious food shortages and starving people leaving North Korea for China. Material conditions of life for ordinary people have become almost unbearable. The economic predicament is at the root of the problems of the North Korean regime. The options for halting, never mind reversing the economic decline are extremely limited. Effectively it requires North Korea to obtain external support through trade and aid or credits. This is difficult because North Korea continues to represent a very unfavourable investment climate. In response to this situation, North Korea adopted what came to be called 'the triple survival strategy' of improving relations with the United States, Japan and other major capitalist countries, strengthening North Korea's 'own way of socialism' in domestic policy, and gradually opening up to the outside world.

The beginnings of contacts with the United States, however, precipitated a major crisis over North Korea's nuclear programme. The United States suspected that North Korea was producing plutonium using a research reactor and concealing some of the nuclear material from international inspectors. In other words, North Korea was pursuing nuclear weapons. As the result of negotiations with the United States, North Korea agreed to give up its plutonium programme in return for a range of political and economic concessions, including the provision of two light-water reactors for

electricity production. However, the so-called 'Agreed Framework' collapsed after George W. Bush assumed the presidency, over allegations that North Korea was pursuing a second nuclear programme based on uranium enrichment technology. Since then North Korea is believed to have accumulated enough plutonium for about eight nuclear warheads and claims to possess nuclear weapons, and conducted a nuclear test in October 2006 which resolved any doubt about its capability to produce a nuclear detonation.

The perception of the North Korean threat is heightened by its ballistic missile industry based on Soviet-designed missiles, especially the so-called *Nodong* and *Taepodong*. Missile engineers in North Korea have improved the rocket engines and guidance systems and thereby increased the range of their missiles. North Korea has exported its missiles to countries like Pakistan, Iran, Iraq, Egypt and Libya and thereby has become one of the major proliferators of missile technology. This fact alone is a major issue of contention between North Korea and the United States. But North Korea has also used its missile capability to threaten Japan. It has demonstrated the capability of building three-stage missiles that may in future provide the basis for an intercontinental missile capability.

2.2 North Korea's Threat to the World

While the threat from North Korea has become a standard part of political discourse, the articulation of the nature of this threat is surprisingly vague. A realistic threat assessment needs to be based on an analysis of the basic security dilemma on the Korean Peninsula and what we can discern about the intentions of the North Korean leadership. These issues are contested and subject to some degree of uncertainty. The total concentration of economic resources on the military and the enormous build-up of forces at the DMZ by North Korea went clearly beyond the needs for defence from a possible attack by US and South Korean forces; it was designed to support a strategy of unification on Pyongyang's terms if the situation was right. Although in the first two decades after the Korean War the conventional forces of the North posed a serious threat by sheer weight of numbers and were superior to the forces of South Korea, the alliance with the United States, which was supported by the presence of US forces with nuclear weapons, deterred a full-scale attack.

As South Korea fast developed its economy while the economy of North Korea stagnated and then went into precipitous decline, the military balance changed as North Korea had to make do with old and obsolescent military equipment based on Soviet technology, whereas the South acquired more and more state-of-the-art US military equipment. Nowadays South Korea

would most likely win a (non-nuclear) war with the North, even without direct US involvement, although US forces are still in Korea and are committed to be engaged if South Korea came under attack. While North Korea could not win a war with the South, and its regime would not survive such a war, it could nevertheless inflict unacceptable damage on the South due to the large number of artillery pieces that can target the capital Seoul and its longer-range missiles that can target any point on the peninsula. North Korea can also target US forces in Japan with some of its missiles (IISS, 2004; MND, 2004; O'Hanlon and Mochizuki, 2003).

There is no doubt therefore that North Korea has a robust deterrent capability that means that the United States has no plausible military option, nor would South Korean governments want to risk any war on the peninsula. As far as North Korea's unconventional arsenal is concerned, it is militarily less significant than is sometimes supposed. The chemical weapons significantly enhance North Korea's capacity to cause civilian casualties in the South, but do not necessarily redress the military balance as South Korean and American forces are equipped and trained to operate in a contaminated environment. Increasingly North Korean missiles can target US forces in Japan or Japan itself. The analysis of the military balance shows that the strategic situation on the Korean Peninsula can best be characterized as a stable deterrence relationship. Nevertheless, there are significant dangers (Kim, 2003). North Korea's threat to international security comes in two ways. The first is the threat of proliferation. As a major source of ballistic missile technology for Iran and Pakistan, North Korea has provided potential nuclear delivery vehicles to states in crisis regions, a development that significantly affects the interests of the United States.

From the American perspective, the acquisition of long-range ballistic missiles by anti-Western states such as Iran and Syria is one of the major emerging threats to international security. Moreover, Pyongyang has hinted that it might engage in the proliferation of nuclear weapons materials and technology. This threat of proliferation will persist as long as North Korea has non-conventional weapons programmes (IISS, 2007). The second is the longer-term threat of North Korea's emerging capabilities. Although at present no operational missiles of intercontinental range have been deployed, that could change over the next decade or two. North Korea has not yet demonstrated that it has operational nuclear devices and can mount nuclear warheads on long-range missiles. However, if missile development and the accumulation of fissile material continue apace, it cannot be excluded that in the medium term such a strategic threat to the continental United States could emerge. This would transform the strategic situation (Kim, 2004). This is why the freezing and disablement of North Korea's

nuclear programme as agreed in the Six Party Talks is an essential step even if no further progress is achieved.

At the core the reason why North Korea represents a threat to international security is that its military capabilities constitute the main leverage it perceives it has with regard to the international community and the United States in particular. The dynamics of the confrontation and hence the sources of insecurity have changed over the decades. In the period following the Korean War, North Korea enjoyed security guarantees from the Soviet Union and China; its economy was stronger than that of the South and its military capabilities superior. The greatest source of insecurity was North Korean power, the totalitarian nature of the regime and the ambitions of Kim Il-sung to reunite the two Koreas by force. The end of the superpower conflict and the dramatic shift in the correlation of forces between the two Koreas has altered threat perceptions North and South. Northern leaders articulate the threat as emanating from the 'hostile attitude' of the United States. This threat has a political and a military component. The political component consists in the rejection of the legitimacy of North Korea, the unwillingness of the United States to open diplomatic relations with North Korea and the various indications that Washington would like to see a regime change in North Korea (Paik, 2005; Jung, 2005).

Some of the language used by the Bush Administration, such as including North Korea in the 'axis of evil', Bush's personal dislike of Kim Jong-il, the attacks on North Korea's human rights records and its missile exports, and the maintenance of sanctions are all part of this image of an implacably hostile United States that might seek any opportunity to attack it. The Bush national security doctrine with its emphasis on pre-emptive attack adds to this perception. The military component consists of the presence of US forces in South Korea and Japan as well as the global military power projection capabilities, which include tactical and strategic nuclear weapons. This portrayal of the threat, however, is clearly exaggerated. In fact, North Korea has sufficient military capabilities to render any military attack option for the United States exceedingly unattractive. While the assurances from the United States that it has no intention to launch a military strike against North Korea are credible, it is also true that not only the United States, but the Western world as a whole would like to see North Korea disappear as an entity in the future and the Korean Peninsula to be united as a South Korea. With the collapse of communism in Eastern Europe, its weakening to the point of irrelevance as an ideology in China and increasing globalization, the international community has by and large abandoned the ideas and values that underpin the social system in North Korea.

Although it is undeniable that the disapproval of much of the international community does constitute a threat to North Korea, this threat does not translate into an intention to collapse or attack the North Korean state. Indeed the possibility of a sudden collapse of North Korea is in itself perceived by other states as a serious threat. The reality is that North Korea could negotiate agreements to mitigate any external threat, including political and military confidence-building measures, reductions in the military deployments at the DMZ (arms control) and economic aid for relatively minor concessions on its part. The problem is that none of these solutions address the fundamental security dilemma that North Korea faces. This dilemma resides in the paradox that the regime cannot survive in the longer term without fundamental reform, but fundamental reform will destroy the regime. This is true for several reasons. First of all the regime's entire claim for legitimacy is based on the principles of its social, economic and political organization. Without it there would be no reason for North Korea to exist, it could just become another South Korea and unification could take place without preconditions. Secondly, national survival is equated with the survival of its ruling dynasty. This places very strict constraints on reform because the hierarchical and social control that is inherent to the socio-political organization of the country is necessary to achieve it (Hassig and Oh, 2000).

In other words, the essence of the security dilemma on the Korean Peninsula is that the North Korean state is doomed. It can only survive if it loses the essence of its identity, but then there is no reason for it to continue to exist. However, this does not mean that it will collapse any time soon. It is held together with enormous force, with all the control instruments of a totalitarian society and with total disregard to the well-being of its citizens except for a small elite. It does mean, however, that there is no solution for the North Korean security dilemma, because the primary threat it faces is not external, but rather derives from the very essence of the regime itself. Apart from satisfying the requirements of defence and security, the military threat serves the function of legitimizing the regime domestically and extracting economic support from the international community. Provocative missile launches, exchanges of fire between soldiers across the DMZ, these kinds of incidents demonstrate the high risk of an inadvertent escalation to a catastrophic war. Since the underlying source of North Korea's insecurity cannot be resolved, its belligerent behaviour is likely to continue. A policy of engaging North Korea is necessary in order to mitigate the threat as much as possible (Han and Levin, 2002).

One of the conclusions from this analysis is that it is unlikely that the new agreement on the elimination of the nuclear programme forged in the Six Party Talks will be implemented in full. North Korea is prepared to

abandon its plutonium reactor and reprocessing facilities because it believes that it has enough plutonium for a residual deterrent force. However, this analysis supports what is a consensus view among South Korean experts that North Korea will continue to hold on to its nuclear warheads and fissile stockpiles for the foreseeable future (Bluth, 2007).

2.3 Security on the Korean Peninsula and the Future of Northeast and East Asia

What is at stake is not just the future of the Korean people, but the geopolitical configuration of the entire region (Kim, 2006). The United States and China are involved in a major strategic rivalry in the Asian-Pacific region. The optimal long-term scenario for the US would be a united, democratic Korea that is a strong alliance partner. For China this outcome is not desirable, nor would China like to be confronted with the chaos of a collapsed state, which would generate an enormous refugee and security problem. China currently provides all of North Korea's oil and about a third of its food imports and has resisted US pressure to use its economic influence to force Pyongyang to make concessions. China's strategy towards North Korea is centred around the Six Party Talks in order to constrain North Korea's nuclear and missile ambitions and reduce tension between North Korea and the United States by facilitating a direct dialogue between the two sides (Hwang, 2006; Shambaugh, 2003). The hope in Beijing is that North Korea will embark on economic reform following the example of China and become an economically viable and less autocratic state. In this way North Korea would remain a buffer between the pro-American South where US forces are based and China itself. If some time in the distant future the two Koreas were to unite, China intends a united Korea to be leaning closer to China than the United States. China since the early 1990s has established good relations with South Korea that focused primarily on economic cooperation. The approach taken by the Bush Administration to North Korea had the result that US policy became increasingly dependent on China. This changed during 2007 as the US has engaged much more directly with Pyongyang through the Six Party Talks, but China's role remains crucial.

Another critical power in the region is Japan. Japan has supported a policy of engagement with North Korea and has provided substantial aid. It was also a major contributor to the Korea Peninsula Energy Development Organization (KEDO) project, established in 1995 by Japan, the US and South Korea as an international consortium devised to steer North Korea toward constructing light-water reactor (LWR) plants, from which weapons grade plutonium could not be developed. However, the

KEDO was wound up in 2006 after failing to make substantial progress towards realizing its objectives. In another area, the substantial North Korean community in Japan has been a major source of hard currency for North Korea. In the mid-1990s Japan embarked on a process of normalization of relations with North Korea that was derailed by heightened tension in Korea when 26 North Korean commandos entered the South using a submarine. The test of a *Taepodong 1* missile whose third stage fell into the Sea of Japan in 1998 was seen as a major provocation against Japan and has prompted Japan to collaborate with the United States for the development of theatre missile defences. Relations were also affected by the unresolved issue of Japanese citizens who had been abducted and brought to North Korea. Since then, relations have fluctuated as North Korea sought to bargain concessions against further aid. Under the leadership of Koizumi the alliance between Japan and the United States strengthened even further (Kim and Rhee, 2000). Japan is taking part in the Six Party Talks and is anxious that the nuclear issue is dealt with (Pritchard, 2007).

In 2006, relations between Tokyo and Pyongyang reached a new low as a result of an abortive attempt to resolve the issue of the abductees and the missile launches in July. The latter event prompted Tokyo to impose strict sanctions on North Korea and for the first time seriously seek to interdict the flow of private funds from Japan between Seoul and Tokyo are not as close as they could be. This is a consequence of the history of the occupation that still evokes anti-Japanese feelings, sometimes stirred up by politicians, and a minor territorial dispute about a group of islands called Dokdo by the Koreans (Takeshima by the Japanese). Nevertheless it is clear that the US–South Korea alliance in practice also includes Japan, although Japan's constitution is interpreted to prohibit direct military assistance to another country. In principle, Japan has supported both the containment and engagement of North Korea. Dealing with North Korea's missile and nuclear programmes is a central issue of national security for Japan. At the same time major instability on the Korean Peninsula would likewise constitute a serious threat. In the longer term Japan has a vital stake in any unification process, which must be peaceful and result in a friendly Korea whose principal alliance is with the United States.

Finally, Russia is another player in the geopolitical game in Northeast Asia. Although the Soviet Union enabled the creation of North Korea and was Pyongyang's principal source of external support until the end of the 1980s, it lost virtually all its influence when President Gorbachev decided to switch from Pyongyang to Seoul as its main Korean partner and cut off all of its aid (especially subsidized fuel deliveries) for North Korea. Since the early years of the Russian Federation when many in Moscow saw South Korea as a possible economic model for Russia itself, the Russian

government decided to rebalance its relations with the Korean Peninsula and develop greater collaboration with Pyongyang. The success of this policy has been limited because Russia has neither the resources nor the will to provide North Korea with the kind of aid that it needs. Pyongyang needs fuel and would like access to Russian missile technology. But Russia insists on world prices for its fuel and it is prevented by the missile technology control regime from collaborating with North Korea in the development of missile technology. As a member of the Six Party Talks, Russia is involved in the effort to eliminate North Korea's nuclear programme. At the talks Russia tends to take a position supportive of China and to weaken American efforts to impose more sanctions on North Korea. There is a certain commonality of interests between China and Russia. Like China, Russia would like to see economic reforms in North Korea so that it can integrate with the economies of Northeast Asia. As far as the long-term future is concerned, Russia would not want to see a geopolitical shift that would strengthen the position of the United States, which is a likely outcome of unification on Seoul's terms (Mansourov and Moltz, 2000; Pritchard, 2007).

In terms of the geopolitics of the region, the crisis on the Korean Peninsula has two important aspects. The first one, which dominates most of the discussions about Korea, is the security risk posed by the present situation. The other powers are aware of the serious risks posed by the possibility of a collapse of the North Korean state or the outbreak of conflict. The second relates to the long-term future of the Korean Peninsula and the possible impact on the geopolitics of the region where all regional powers have a stake. Any settlement of the Korean issue therefore should be accompanied by the development of a regional security mechanism involving the four main parties plus the unified Korea.

3. THE INTERNATIONAL POLITICAL ECONOMY DIMENSION

3.1 Korea's Political Economic Position in the Region

While security relations on the Korean Peninsula have long posed a significant threat to the stability of international relations in the region, ongoing developments in Korea's economic relations may be viewed in a far more positive perspective. This primarily relates to South Korea, a nation that achieved one of the most startling economic transformations of the twentieth century. In the 1950s, its economic development and per capita income level was on a par with most sub-Saharan African states. However,

after four decades of sustained techno-industrial advancement, South Korea had, by the 1990s, become East Asia's third largest economy, and one of the region's most advanced industrial states, along with Japan, Taiwan and Singapore. South Korea's large conglomerated companies – the *chaebol*, modelled on their Japanese 'big business' counterparts, the *zaibatsu* and the *keiretsu* – possess considerable global reach and presence, especially the four largest *chaebol*: Samsung, Hyundai, LG and SK. These firms are among the major players in key global industries, such as automobiles, information and communication technology (ICT) products, electronics, industrial machinery and shipbuilding (Rhyu and Lee, 2006). South Korea is the world's largest shipbuilder, second-biggest steel producer, fifth-largest automobile manufacturer and one of the world's leading semiconductor producers.

Despite these achievements, South Korea remains notably overshadowed by the economic giants of Japan and China, the region's two largest economies by a considerable distance. In 2005, South Korea's GDP of US\$679.7 billion was around a seventh of Japan's (US\$4622.8 billion) and a third of China's (US\$1931.7 billion) in nominal GDP terms. While South Korea continues to gradually close the GDP gap with a slow-growing Japan, China's economy continues to surge ahead at a much faster growth rate at roughly twice that of South Korea's and around four times that of Japan's. South Korea's impressive economic advancement, combined with geographic location between China and Japan does, though, provide it with scope to play an important role in Northeast and East Asia economic relations, including as various forms of intermediary between Japan and China.

This idea of South Korea as an intermediary power, especially in trilateral or regional- multilateral arrangements in relation to China and Japan, is critical to understanding South Korea's potential for making a difference in East Asia's regional political economy, and this can relate to its scope to perform particular exercises of regional leadership. We saw earlier in this chapter how the Korean Peninsula was a meeting place for the Asia-Pacific's great powers to manage perhaps the region's most critical security dilemma. Here, Korea is more impinged by great power actions rather than intermediating between the great powers per se. In East Asia's regional or international political economy, however, South Korea has greater scope to exploit its *middle power status* within the region (Cooper et al., 1993; Cox, 1996), one function of this being to act in a positive intermediary in Japan–China relations and more broadly in East Asia's regional community-building processes. Furthermore, positive developments in the former are a critical prerequisite for the latter: an East Asian Community cannot be substantively cultivated while Sino-Japanese relations are not positively advancing. Yet what scope is there for South Korea to make a difference in this respect?

Does it have sufficient middle power capacity to do so? Rozman (2007) comments that, 'As a middle power (economically and militarily ranked about tenth in the world), South Korea is situated at the crossroads of four Great Powers, each of which considers itself in the top rank and entitled to an assertive regional policy' (p. 199). This section of the chapter examines the country's middle or intermediary power potential with regard to both its foundational basis and characterized actions.

3.2 South Korea as a Regional Hub

South Korea's central and local government agencies have tried to use the country's geographic position in Northeast Asia to promote the South Korean economy – or particular zones of it, such as Incheon, Seoul and Busan metropolitan areas – as a 'regional hub' for business operations. This connects with ideas from economic geography theory concerning how economic activity and power is invariably concentrated in city-based 'core' zones that form the essential network nodes in the new global economy (Fujita et al., 1999; Sassen, 2002; Smith, 2004). The importance of these nodes may be generally evaluated in terms of their size and connectivity with other nodes, and thus infrastructural development is a key factor (Beaverstock et al., 1999). South Korea's infrastructural resources and systems are among the best in East Asia. Moreover, Seoul is a fast-emerging world city: its metropolitan area population of 22.8 million is the second largest in the world, after Tokyo. Seoul is furthermore an important multinational corporate headquarters centre in the region, the principal command centre for *chaebol* operations.

Regarding transport infrastructure, Seoul's air cargo traffic volume is currently the world's fifth highest, its international air passenger traffic the world's tenth highest, and the seaport cargo traffic volume for the adjacent city of Incheon holds the world's 24th highest position. South Korea's second largest city, Busan, is meanwhile the world's sixth busiest sea cargo traffic port and the world's fifth busiest in terms of containerized sea cargo traffic. South Korea has one of the world's highest rates of broadband penetration and Internet usage, making it one of the most wired nations in the world (Lie and Park, 2006). This has further spurred the development of the country's connectivity and networks links with the rest of the region.

South Korea has also emerged as an important cultural industry hub in East Asia. The so-called 'Korea Wave' (*Hanryu*) of the country's popular culture has swept across the region, as seen in the growing popularity of Korean films (from award-winning directors such as Park Chan-wook and Kim Ki Duk), TV shows (for example 'Winter Sonata'), pop music (otherwise known as K-pop) and animation, which 'have spread a Korean

articulation of media savvy and cool across Asia' (Lie and Park, 2006: 61). It is difficult to measure or ascertain just how South Korea can convert the above examples of cultural capital into 'soft power' and influence. It undoubtedly has had some kind of effect at the societal level, projecting a positive image of the country and spreading greater awareness of various things Korean to other Northeast and East Asians. This has hence conferred South Korea with greater socio-cultural prominence (and thereby a firmer basis for exercising soft power – see Chapter 13) in the region.

In addition, promoting South Korea as a hub centre for international business in Northeast and East Asia is a means to conferring the country with greater prominence in the regional political economy. From a more ideational perspective, South Korea is advancing the idea that the country is a meeting point or crossroads or intermediary for transnational activity and the transnational community in the region generally. However, the main purpose behind marketing South Korea as a 'regional hub' is to attract inward foreign direct investment (FDI) from both inside and outside the region. Japanese firms have even more sophisticated and developed infrastructural centres and industrial districts at home in Japan in which to base core operations. China is also fast developing a number of network node zones (for example eight of the world's top 20 largest seaports are located in China), the most prominent being Shanghai and its extended urban zone in the Yangtze Delta. After a sharp rise in inward FDI levels in the immediate years after the 1997–1998 financial crisis, the volume of inward FDI into South Korea has dropped quite drastically, to around only a 3 or 4 per cent share of the country's gross capital investment by the mid-2000s (Rhyu and Lee, 2006). In sum, South Korea faces stiff 'regional hub' competition from other centres in Northeast and East Asia.

3.3 Korea and Economic Diplomacy in Northeast Asia: New Hopes, New Directions

Trilateral economic diplomacy with Japan and China

Trilateral economic cooperation, integration and diplomacy among South Korea, Japan and China have made significant advances over recent years (Aggarwal and Koo, 2005). China–Japan–South Korea trilateral summits have been held since 2000. In addition there have been corresponding trilateral meetings of Economic and Foreign Ministers, as well as new dialogue frameworks at a lower government level and various 'track II' initiatives, such as studying the feasibility of creating a Northeast Asia Free Trade Area (NEAFTA). In November 2003, the Chinese Development Research Centre of the State Council (DRC), the National Institute for Research Advancement (NIRA) of Japan and the Korea Institute for

International Economic Policy (KIEP) published a joint scoping study report on the NEAFTA idea.¹ This is still being discussed among Northeast Asian government officials and research institute analysts.

At the 2003 Trilateral Summit, the three countries agreed to substantially expand their cooperation across a range of fields, including on security, trade, investment, technology, environment, human resource development and energy security issues.² At the Seventh Trilateral Summit held in January 2007, plans were announced to start negotiations on a trilateral investment treaty later that year, and also to establish a mechanism of regular consultations among senior foreign affairs officials of the three countries.³ Japan, China and South Korea furthermore agreed to further extend the scope of their trilateral cooperation, naming a number of new priority areas including finance, public health, tourism, logistics and distribution, youth and teenager communications. The three countries also agreed to hold annual trilateral Environment Ministers meetings in the future.

The Northeast Asia trilateral meetings provide South Korea with a significant opportunity to exert intermediary or middle power influence in both Sino-Japanese and regional affairs. As an officially tagged 'equal partner' to China and Japan in this trilateral diplomacy framework, South Korea is able to make initiatives and possibly broker deals that advance cooperative relations among the three countries. South Korea is thus positioned to make positive contributions to the development of Japan–China relations. Arguably, no other country is in such a position as the Northeast trilateral framework is somewhat unique: neither China nor Japan belongs to any other trilateral arrangement. It is perhaps inconceivable that China and Japan would be able bilaterally to make the progress they have on the various fields of cooperation noted above without South Korea as an intermediary 'buffer' between them.

South Korea is also active in other sub-regional arrangements centred on Northeast Asia, such as the Greater Tumen Initiative (GTI)⁴ – a United Nations Development Programme-sponsored venture where South Korea has taken much of the lead. The GTI aims to promote sub-regional economic cooperation among South Korea, China, North Korea, Mongolia and Russia. There are five principal areas of GTI cooperation (trade and investment; transport and communications; environment; tourism and energy) that build on intensifying sub-regionalized linkages that have deepened at the micro-level among firms, other organizations and individuals in the Tumen River zone.

Inter-Korea economic relations

Inter-Korea economic relations have also made some progress in recent years. As previously noted, North Korea's economy has languished for

decades and is in a chronic state of disrepair. Once enjoying a parity level of development with the South, the North's economy is now an estimated 16 times smaller in GDP terms. South Korea's international trade volume is over 200 times that of the near autarkic North Korea. However, trade between the two states has increased during the 2000s, and the Kaesong Industrial Park (KIP) project – set up largely with the help of Hyundai Asan (a division of the Hyundai company) and the South Korean government – has become reasonably well established, although the KIP has much further to develop to meet its capacity targets. While South Korea is well positioned to play a leadership role in the region for using such economic mechanisms to help bring about some forms of political change in North Korea, there are a number of caveats to keep in mind. First, China has more leverage over North Korea with respect to compelling Pyongyang to undertake economic reforms. It is the North's main source of oil and other strategically important imports. Beijing has tried to persuade Pyongyang to introduce the kinds of socialist market reforms China did from the late 1970s onwards (Deng Xiaoping had many conversations with Kim Il-sung on the matter during the 1980s and early 1990s) but this has been largely to no avail.

Second, even if North Korea was amenable to undertaking socialist market reforms, South Korea lacks the economic resources to help augment this process alone through *chaebol* foreign direct investment or government-funded development assistance. The world's major economic powers – Japan, US, China and the EU – would have to play a substantial role in this respect. Third, there is the moral hazard problem. South Korean companies have already an infamous history of throwing billions of good money after bad during the period leading up to 1997–1998 financial crisis. Given the risks of dealing with an unscrupulous and unpredictable Kim Jong-il regime, both Seoul and the *chaebol* are wary of investing large sums in inter-Korea integrative projects that may just be siphoned off to help consolidate this very same regime. The same applies to other trade and investment partner countries.

Having said this, the identification of shared economic security interests between the North and South may provide a stronger foundation for cooperation and trust, for example with regard to energy supply issues (Dent, 2002). Moreover, economic relations still present the most promising opportunities for stabilizing inter-Korea relations, and even in the possible long term the inducing of regime change in the North. At the historic October 2007 inter-Korea Summit, South Korean President Roh Moo-hyun promoted the idea of significantly expanding economic cooperation projects between both sides and ultimately working towards creating an Inter-Korea Economic Community. Indeed, the Joint Statement of the 2007 Inter-Korea Summit was mostly about economics, noting plans worth

around US\$50 billion to expand the Kaesong Industrial Park, establishing a new economic and trade zone in Haeju, and to fund improvements in the North's transport infrastructure. Progress in these areas is likely to be slow, yet economics has a critically important part to play in fostering closer cooperative relations between the two Koreas, and thereby helping to defuse the most highly-charged security stand-off in the East Asia region.

3.4 Korea and the East Asia Regional Political Economy

Free Trade Agreements (FTAs)

South Korea is very much still a trade-driven economy. The export-oriented industrialization strategy, first introduced by the Park Chung-hee Government in the 1960s, gradually transformed a predominantly agrarian economy into a modern industrial state within the space of three decades. The trade sector currently represents 40 per cent of the country's GDP, a comparatively high ratio for an economy of its size.⁵ It was also at the initial forefront of East Asia and the Asia Pacific's new FTA trend when it took off in the late 1990s, initiating new projects with Chile, Japan and Thailand as early as 1998, and with New Zealand in 1999. Along with Singapore, South Korea had the most active new FTA policies in East Asia at the time. These new FTA projects were deemed integral to the Kim Dae-jung Government's post-crisis restructuring agenda, here in specific relation to trade policy and diplomacy (Cheong, 2002; Dent, 2006; Kim, 2005; Sohn and Yoon, 2001). Indeed, one could argue that South Korea used FTAs to take some kind of lead on post-crisis economic reform in the region. Up until the 1997–1998 financial crisis, the only FTA that had been signed by East Asian states was the ASEAN Free Trade Area (AFTA): no bilateral FTA had been signed in the region by this time. By 2007, South Korea had concluded FTAs with Chile, Singapore, the European Free Trade Association (EFTA) group, and the US. Talks had also been initiated with China,⁶ India, Canada and the EU, while parts of an agreement with the ASEAN group had too been negotiated by this time (Dent, 2008). In addition, Seoul had initiated exploratory proposals or talks with Russia, Israel, Mexico, Mercosur and Australia. These have been substantial developments for a once relatively closed mercantilist nation, and furthermore enhance South Korea's endeavours to become an important regional trade hub in Northeast and East Asia.

However, South Korea's bilateral FTA project with Japan – the most important of the early projects to emerge at the start of the region's new FTA trend – has not progressed. After a five-year study period, Japan–Korea FTA (JKFTA) negotiations began in December 2003 but became stalled just 16 months later after seven rounds of negotiations in

April 2005. Unresolved disagreements over agriculture sector liberalization and the disputed Dokdo/Takeshima Islands have impeded further progress in JKFTA talks. The specifics in both areas of disagreement may appear to be very micro-level in scale (that is the key dispute in agriculture was over gim seaweed, while the Dokdo/Takeshima Islands are barren islets with a combined area of less than a fifth of a square kilometre) yet they revealed much bigger issues that hinder the development of Northeast Asian relations generally. This includes persisting animosities over various 'history issues' that mostly relate to Japan's imperial aggressions during the first half of the twentieth century, as well as the deep embedded sense of nationalism still very much evident in Northeast Asian countries.

Furthermore, both South Korea and Japan maintain high protectionist barriers on agricultural trade (for example tariff rates of 600 per cent and 490 per cent respectively on rice), and both face significant domestic political constraints on liberalizing agriculture too drastically (Dent, 2006). Yet agriculture only represents less than 1 per cent of bilateral trade between the countries: the vast bulk of this trade (at US\$67.1 billion in 2004, the fifth largest bilateral trade volume in East Asia) is in relatively high-tech products, such as ICT products, electronics and industrial machinery. Moreover, the JKFTA project has always been conceived in terms of a 'broad-band' agreement on economic partnership that would consolidate bilateral relations on a wide range of cooperative fields, for example on science and technology, human resource development, infrastructure development and environment. There is thus more at stake than a trade deal. For South Korea and Japan, dealing with each other's highly sensitive agriculture political economies is one thing; how to undertake an FTA project with China is quite another given the competitive challenges it poses to both countries in agriculture itself and an increasing range of industrial sectors. Nevertheless, South Korea and China had by 2007 made some progress with joint feasibility studies and talks on a bilateral FTA project, although official negotiations on a deal had not commenced by the time of writing.

There is also the bigger idea of creating an East Asia Free Trade Area (EAFTA), which past President Kim Dae-yung was particularly keen on promoting (see later discussion on this). As discussed in Chapter 1, there are competing ideas on what the membership of such a regional trade agreement should be, with Japan the principal advocate of one that includes India, Australia and New Zealand while China has stated its preferences for one that does not. South Korea's position on this has been somewhat ambivalent, not wanting to be seen siding with either regional power. This has been a general predicament for Northeast Asia's middle power in that it is only when there is some kind of middle ground or institutionalized arrangement involving Japan and China (for example trilateral cooperation

dialogue, regional–multilateral frameworks – see below) that South Korea has scope to act as an intermediary. Its ability to broker agreements single-handedly between its giant neighbours is very limited.

A further complication is South Korea's strong links with the US. Although security and economic ties with America have weakened in relative terms since the 1990s, these still remain substantive. The conclusion, or rather re-conclusion of FTA talks between South Korea and the US in mid-2007 was indicative of this, and moreover revealed how much deference South Korea's economic and security policy elites still pay to Washington. The willingness of Seoul to bow to American demands to renegotiate an already mutually agreed FTA deal just weeks after hands had been shaken on the original deal was quite unprecedented: no other Asia Pacific country has ever asked another trade partner to make such an extraordinary compromise.⁷ This was despite recent moves by Seoul to distance itself somewhat from Washington, partly based on rising anti-American sentiment in South Korean society, especially its younger generation (Lie and Park, 2006). Yet this whole episode was indicative of how security ties can still very much shape and influence economic relations, and furthermore how South Korea still adheres to a 'policy of obligation' towards its principal security partner (Dent, 1999; 2002). Like Japan, this may prove a problem for South Korea as the general trend in East Asia's regional political economy is intra-regional rather than Asia-Pacific in focus. As Mark Beeson convincingly argues in Chapter 11, the US has become increasingly marginalized in post-crisis developments in East Asian regionalism. Chung (2007) also notes the predicament South Korea faces with regard to reconciling its extensive security relations with the US and its increasingly close (principally economic at this stage) partnership with China.

While only having secured a singular bilateral FTA with another East Asian country by 2007 (with Singapore), South Korea had signed the 'trade in goods' element of a quasi-regional free trade agreement with ASEAN, with KAFTA negotiations making progress on other elements such as services, trade and investment by this time. Chapter 1 noted how ASEAN had or was negotiating similar deals with China, Japan, India, Australia, New Zealand and the EU. South Korea is thus more a spoke rather than a hub in the broader sweep of FTA activity in East Asia, ASEAN being the likely pivot on which a bigger regional trade arrangement may fall into place (see Figure 12.1).

Regional economic frameworks and initiatives

South Korea has been an active player in East Asia's new regional frameworks: ASEAN Plus Three (APT) and East Asia Summit (EAS). Mainly owing to its aforementioned 'policy of obligation' towards the US, Seoul

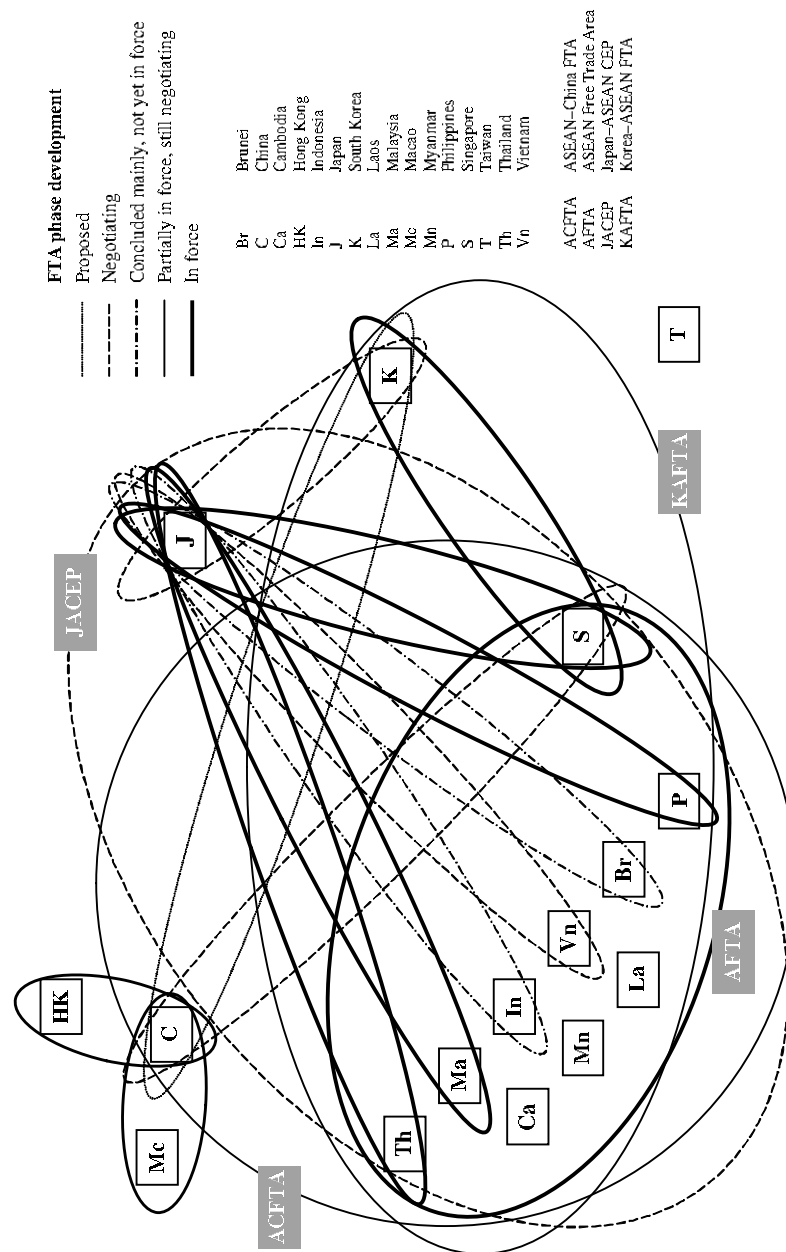


Figure 12.1 FTA linkages within East Asia (by June 2007)

was decidedly lukewarm in response to Malaysia's proposal to form an APT-type arrangement (the East Asia Economic Group or Caucus) during the early 1990s. The 1997–1998 financial crisis drastically changed the calculus of East Asia's regional political economy, however, and South Korea was one of the worst crisis-afflicted countries in the region. This added considerable imperative to the then new Kim Dae-jung Administration to engage in the region's new cooperative diplomacy on financial affairs. For example, South Korea and Malaysia were the only two countries that accepted Japan's offer to sign bilateral currency swap agreements (CSAs) under the 1998 New Miyazawa Initiative (NMI). The original Japan–South Korea agreement was based on a US\$5 billion swap facility.

The NMI became the foundation for the Chiang Mai Initiative (CMI), a regional-scale system of CSAs established two years later among APT member states (see Chapters 1 and 4). By 2007, the Japan–South Korea CSA had increased over four-fold to US\$21 billion, the largest CSA within the CMI system by far and now based on a reciprocal arrangement (US\$13 billion Japan to South Korea; US\$8 billion South Korea to Japan) rather than a Japan-as-donor uni-directional one. South Korea is the second largest contributor (after Japan) of standby CSA funds in the CMI system, accounting for US\$17 billion of the US\$82.5 billion total (hence around a fifth share) in the system that had accumulated by May 2007 (see Figure 4.1 in Chapter 4). South Korea is the world's fourth largest retainer of foreign exchange reserves (US\$238.9 billion by December 2006) and has the potential to contribute substantially more to the CMI system and other new APT-led regional financial schemes such as the Asian Bond Market Initiative.

However, China and Japan – the world's first and second highest retainers of foreign exchange reserves (US\$1068.5 billion and US\$879.6 billion respectively by December 2006) – are in a much stronger position to lead on East Asia's new financial regionalism. However, as Chapter 4 discusses, China in particular is wary of promoting financial regionalism too far as this may play to Japan's relative strengths in this area. In addition to holding enormous financial reserves, Japan has an internationalized currency and a considerable degree of technocratic expertise and experience in international financial governance. In 2006 and 2007, Japan ardently promoted the idea of establishing an Asian Currency Unit (ACU) scheme within the APT framework, but China was cool to the idea. South Korea could be a natural partner for Japan in helping further advance East Asia's new financial regionalism, but like China it too would be circumspect of promoting forms of regional governance dominated by Japan.

For South Korea to take a co-leadership position with either Japan or China in these new areas of regional cooperation, it would have to develop in a strong regional-multilateral context that would ensure that neither

China nor Japan came to dominate, their hegemonic power rather being circumscribed by the regional collective. Taking the CMI system as an example, plans were announced at the May 2007 APT Finance Ministers Meeting to multilateralize the network of bilateral CSAs into a unified arrangement, managed from the centre. As the major contributor to the current system, and accompanying technocratic capabilities in financial governance, Japan may expect to be the principal managing power over the new multilateral arrangement. However, South Korea and other APT member states would insist on sufficient checks and balances to ensure that Japan does not dominate the system. These are yet to be determined in the new multilateralized CMI arrangement.

Seoul has actively promoted the idea of establishing an East Asian Community (EAC) and East Asian regional community-building more generally. At the 1998 APT Summit held in Hanoi, South Korean President Kim Dae-jung proposed establishing an East Asia Vision Group (EAVG) that would recommend strategic directions on regional cooperation. The EAVG – chaired by a Korean ex-diplomat turned university professor, Han Sung-joo – consisted of two academics from each APT member state and was an important ‘track-II’ process of APT diplomacy in its formative years. The main aim of the EAVG was to realize a vision of how to realize an East Asian regional community. After a three-year study, the EAVG submitted their report at the 2001 APT Summit held in Brunei and which outlined a number of ambitious proposals, including the aforementioned East Asian Free Trade Area (EAFTA), preferential treatment for developing countries in the Asia region, and expanding the ASEAN Investment Area (IAI) scheme to include all of East Asia (EAVG, 2001). A subsequent parallel East Asia Study Group (EASG), consisting of selected government officials, was mandated to evaluate the EAVG’s recommendations and propose some itself (EASG, 2002). Both EAVG and EASG reports proposed the establishment of an East Asia Summit (see Chapters 1 and 4). This was perhaps the most important contribution that South Korea has made to date concerning East Asian regional community-building (Robertson, 2006). The Roh Moo-hyun administration (2003–2008) has been comparatively inactive on this front, notwithstanding developments noted earlier at the Northeast Asia trilateral level.

4. CONCLUSION

This chapter has examined Korea’s position in the Northeast and East Asian regional system, with particular reference to security and economic dimensions. With regards to security, the situation on the Korean Peninsula

constitutes the most dangerous flashpoint in the region due to the failure of North Korea's leaders to create a viable regime that could be integrated in the region politically and economically, and its enormous degree of militarization, including weapons of mass destruction. The key issue for South Korea, as well as for the larger powers, is how the problem of North Korea can be managed. Currently the focus is on developing a multilateral framework that prevents the collapse of the current North Korea regime through economic engagement, eliminates or neutralizes the nuclear weapons programme and preserves strategic stability until Pyongyang engages in more far-reaching political and economic reforms in the future. This situation will continue to present significant risks for some time to come.

Consequently, South Korea's strategic thinking on the region is still primarily focused on the North Korea question. While South Korea has become actively engaged in promoting new developments in East Asia's regional political economy, it is the future of the Korean Peninsula that mostly preoccupies key policy-makers in Seoul. This being said, it is in South Korea's strategic interest to promote all forms of regionalism in Northeast and East Asia as it is through various levels and frameworks of regional-multilateralism that Northeast Asia's middle power can make the most effective difference. The country possesses the technocratic capability and middle power weight to harness the institutionalized channels and mechanisms of regionalist frameworks to propose new cooperative or integrative projects at the regional level, and thus exercise some forms of regional leadership. At the trilateral Northeast Asian level especially, South Korea has the scope to perform an important intermediary role between China and Japan, as this chapter has argued. South Korea also has a key part to play in effecting political and economic reform in North Korea.

However, Seoul has still much to achieve on these fronts. Moreover, the strategic plan capability of the South Korean government is constrained by the nature of the country's domestic politics. As Robertson (2006) comments:

the South Korean political system is not as stable or as predictable as that in democracies with an established two-party system. Consequently, electoral politics are given much greater credence than long-term strategic considerations . . . the shifting sands of the South Korean party-system do not provide its politicians the same level of liberty [as established two-party democracies] (p. 6).

As a middle power, South Korea has no 'grand strategy' to aspire to singular regional leadership in East Asia, and can make most impact on East Asia's regional affairs by performing intermediary roles in great power relations, especially in the security and political economic domains.

NOTES

1. *Asia Times*, 20 November 2003.
2. *Financial Times*, 7 October 2003.
3. *Associated Press*, 11 January 2007.
4. This evolved out of the original Tumen River Area Development Programme (TRADP) that was first established in 1991, but was then transformed or 're-branded' into the GTI in 2005.
5. Generally speaking, larger economies tend to have smaller trade ratios than smaller ones owing to relative domestic market size.
6. South Korea and China had conducted their third set of preliminary study (that is pre-negotiation) talks by October 2007.
7. *Reuters News*, 29 June 2007. All nations are constrained by both immutable and dynamic domestic political factors when negotiating international agreements, so the US claims of exceptionalism in this case were questionable, to say the least.

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PART VII

Conclusion

13. Regional leadership in East Asia: towards new analytical approaches

Christopher M. Dent

1. INTRODUCTION

This book has considered various themes, evidence and ideas relating to the prospects for regional leadership in East Asia, with particular reference to China and Japan performing ‘regional leader actor’ roles. Chapter 1 introduced some ways in which we might think there is a region (or are regions) to lead in East Asia. Chapters 2 and 3 then focused on the nature of, and recent developments in Japan–China relations. Thereafter, Chapters 4, 5 and 6 considered the different aspects of Japan and China’s positions in the East Asia region, while Chapters 7 and 8 discussed how the seemingly inexorable rise of China is being addressed within the East Asia region as a whole. This was followed by the analysis made in Chapters 9 and 10 on how China and Japan have explored paths of regional leadership through certain regional and multilateral organizations. In Chapters 11 and 12, the position of certain ‘intermediary powers’ (that is, the United States and Korea) was examined with regards to regional leadership diplomacy in East Asia. This concluding chapter brings together the main findings of the book and presents new analytical approaches for studying the nature of and prospects for regional leadership in East Asia.

Throughout this book, chapter authors have from their own thematic perspectives considered how and why regional leadership may arise in East Asia. It is clear that leadership plays a vital role in tackling many of the important challenges currently facing the international community, such as terrorism, climate change, humanitarian aid, sustainable and equitable economic development. Without leadership, the international community will most likely lack a clear sense of direction and purpose concerning how to meet these challenges. Addressing the aforementioned challenges at the regional level is of critical importance, yet the subject of regional leadership remains surprisingly neglected in the academic literature. As this chapter discusses, much of the international relations (IR) and international political economy (IPE) literature has focused on global-level or

global hegemonic exercises of leadership, and thus has been particularly fixated with the United States. Moreover, the US-centric empirical bias in international leadership studies per se has meant that much of this work remains bound up in discourses on hegemony and (unilateral) power geopolitics. While these two core themes are of course critically relevant to questions of regional and international leadership, there are other analytical approaches and perspectives that too deserve according attention, as are later outlined. This chapter hence seeks to go beyond mainstream thinking on international leadership by making summative evaluations on the issues of regional leadership in East Asia raised in this book.

2. MOVING BEYOND TRADITIONAL PERSPECTIVES ON INTERNATIONAL LEADERSHIP

2.1 Mainstream Thinking on International Leadership

The scholarship on regional leadership is a relatively new field. As Chapter 1 discussed, the multipolar regional order became a far more salient feature of the world system in the post-Cold War period. It was only therefore from the early 1990s, when regionalism deepened on a more global basis, that scholars more comprehensively addressed how regions were 'led' (Osterud, 1992). Much of this new literature on regional leadership took its cue and main reference points from the burgeoning scholarship on 'leadership' in the international system generally. This scholarship has in turn been dominated by the work of American scholars who have been somewhat preoccupied with the United States' superpower position and status in the contemporary world order. The current literature on leadership is still largely influenced by American scholarship, which continues to exhibit the following characteristics:

- US-oriented empirical studies.
- A tendency to adopt a unitary state-centric approach of studying both the form and exercise of leadership.
- Generally fixated on hegemony, hierarchy and harder forms of power exercised by leading states.
- Overtly focused on power-based analyses of leadership with a strong emphasis on hegemonic dominance, and increasingly unipolar actions.

Hence, in *ontological* terms, the mainstream scholarship on leadership has assumed that the nation-state is almost exclusively the only real actor in

the international system able to perform leadership functions within the system, the corollary of this argument being that non-state actors (for example multilateral institutions, civil society organizations, multinational corporations) still essentially lack the capabilities to match the state in this respect. Moreover, much of this scholarship largely treats the state as a unitary entity, thus not deconstructed into composite elements, for example discrete actor constituencies that make up the 'state'. However, Katzenstein (1976, 1978) and others have tried to open up the 'unitary state' by highlighting the domestic political and institutional influences on the state's foreign policy-making behaviour. Yet on the whole, mainstream approaches to (regional) leadership have thus been mainly based on realist and neo-realist theoretical premises concerning the primacy of the nation-state – and more specifically national or central governments – at the actor or agential level of analysis.

In *epistemological* terms, the mainstream literature on leadership has been founded on positivist and empiricist principles, and grounded in rationalist methodological approaches (for example rational choice/public choice theories), leading to an emphasis on deductive logic to seek out 'truths' (Buzan, 2004; Cohen, 2007; Smith, 2002). Furthermore, rationalist concepts of leadership posit that 'power capabilities' are the main determining factor of state choices (Morgenthau, 1967; Waltz, 1979). This line of analysis on 'leadership' has thus been generally embedded in discourses on hegemony, power geopolitics and, to a lesser degree, institutions – a prime focus being the material basis or sources of that power.

We may define 'power' as 'the production, in and through social relations, of effects on actors that shape their capacity to control their fate' (Barnett and Duvall, 2005: 45). The material basis of leadership has mostly focused on the 'hard power' capabilities of leading states. For realists and neo-realists, the most important is military power capability, this they stress having been the main foundation of US hegemony for many years. Other examples of hard power capabilities include those of an economic, technological, technocratic nature. Some analysts, such as Kennedy (1988), have argued that economic and technological development is the underlying basis of all hard power capabilities since this is ultimately the source of military power capability, as well as other sources of power. It is widely accepted that the material basis of China's recent rise to power, however conceived, primarily derives from economic development-related factors. At the same time, China has possessed the political, diplomatic and other forms of capacity to exploit the advantages of ascendant economic power more effectively, one could argue, than Japan.

Barnett and Duvall (2005) have emphasized the importance of working with multiple conceptions of power, and extending beyond the disciplinary

tendency in the IR and IPE literature to associate power with realist and neo-realist analysis. Power has been closely associated in turn with international leadership for good empirical reason, as the capacity to exercise leadership derives from various forms of power function. The key problem is, however, that many (especially realist and neo-realist) scholars conceive 'power' in rather narrow conceptual and theoretical terms, and furthermore others eschew the conceptual dependence on power to explain behaviour in the international system. As Barnett and Duvall (2005) note, neo-liberal institutionalists stress that states with convergent interests create international/multilateral organizations and frameworks that, among other things, can tame state power. Social constructivists alternatively emphasize the importance of normative structures and processes of mutual learning and persuasion in the shaping of agential behaviour in the international system, including exercises of international leadership. Yet these normative structures (founded on particular values, ideals, and so on) can be considered a source of power and influence in themselves, as revealed through their interaction with other structures in social relations. More generally, power should be understood analytically through two main analytical dimensions, these being: 'the kinds of social relations through which power works; and the specificity of social relations through which effects on actors' capacities are produced' (Barnett and Duvall, 2005: 42). Hence, returning to the neo-liberal institutionalist position, leadership may be exercised by and through power-capable leader actors within international/multilateral organizations and frameworks. Moreover, these organizations and frameworks may themselves possess intrinsic forms of power (for example by the norms and rules on international behaviour they embody), as we later discuss.

In specific conceptual contrast to 'hard power', Nye (1990; 2004) has championed the notion of 'soft power', which he contended in very general terms 'rests on the ability to shape the preferences of others' (Nye, 2004: 5). This may be closely linked to the above-mentioned normative structures and corresponding ideational basis on which leadership may be founded (for example in terms of moral authority, ideas, intellectual leadership, and so on) and thus could be said to have symbolic, psychological and subjective dimensions. Nye highlighted the influence of culture, norms, ideals and values, which may be important underlying or legitimizing features of more powerful states' foreign policies. This may be operationalized through various forms of 'public diplomacy', for example by exploiting a country's cultural or ideological capital. For example, the US's influence in the international system, Nye argued, partly rested on the attractiveness of its popular culture, such as films, music, TV shows, retail brands, technologies, and so on.

Similarly, both Japan and China possess their own particular kind of soft power resources, be these based on popular culture (for example Japan's *anime* and *manga* art forms), public diplomacy (for example as conducted through the Japan Foundation and China's Confucius Institutes), ideas and norms (for example Japan's 'developmentalist' influence on East Asian economic policy, and China's socialist market reform), or other means. While soft power analysis has offered a different perspective from traditional approaches to studying leadership – and others have applied it to other countries, such as Kurlantzick's (2007) study on China's recent 'charm offensive' foreign policy strategy (see Chapters 5 and 7) – soft power's main empirical focus and endeavours at conceptualization have been steadfastly US-focused. Furthermore, soft power can only underpin regional leadership endeavours in a rather diffuse and contextual way rather than in a direct way, in most respects owing to the difficulties of harnessing it to serve such ends. Nye (2004) also makes the point that Japan's past history places a constraint on its use of soft power, especially in its relations with other East Asian nations. There is furthermore the general assumption that the impact of soft power is generally positive, but this is not always the case. For example, in many societies there may be strong negative reactions to the cultural imperialism of a 'leader-aspirant' foreign power. In its more ideological form, the soft power capability of influential states may be used to shape the agenda of international frameworks and organizations. This connects with the notion of 'structural power' (see Chapter 7's discussion on this), which relates to the ability of actors in the international system to shape the rules and norms of behaviour with which other actors comply.

Structural power in turn has links with another concept from mainstream US thinking on leadership, namely hegemonic stability theory (HST). Based mostly on realist and neo-realist assumptions on the primacy of the state, HST posits that the international system is anchored in a hegemonic state power that underwrites and underpins the system. Hegemonic states provide leadership through the provision of international public goods devised to maintain stability in the international system (Froelich et al., 1971; Gilpin, 1987; 2001; Kindleberger, 1973; 1981; 1986; Keohane, 1984; Krasner, 1976; 1983; Lake, 1993; Wohlfort, 1999). The hegemon is motivated to undertake these tasks because it is the prime beneficiary of the consequent systemic outcomes, for example by shaping the rules and international environment in principal accordance with the hegemon's interests. Examples of such public goods can include multilateral frameworks of cooperation, safe security environments, and poverty reduction. Chapter 1 introduced the notion of regional public goods with reference to the East Asia context. Leading states will continually weigh up the costs and benefits of performing hegemonic stability functions in terms of providing the

infrastructural and transactional aspects of the public goods concerned. When the costs outweigh the benefits, then the hegemon will 'rationally' withdraw from undertaking such duties. Britain's championing of a liberal international economic order in the nineteenth century, and the US's leading of 'new international economic order' in the early post-1945 era are the most often cited historic periods of hegemonic stability. However, HST has been criticized on account of its deficient empiricism, even by those inside the mainstream such as Lake (1993). Meanwhile, Snidal (1985) and Grunberg (1990) have contended that the relative stability in the international economic system is not so dependent on the existence of a global hegemon. Conversely in Chapter 11, Mark Beeson argued that recent actions of US foreign policy demonstrate how the excesses or questionable uses of hegemonic power can have potentially serious destabilizing effects on the international system.

Despite the criticism of HST, leadership and hegemony are treated more or less as synonymous terms in the mainstream literature on international leadership, primarily because of the empirical bias towards studies on the 'unipolar' United States (Huntington, 1993; Jervis, 1993). A distinction should, however, be made between the two concepts of hegemony and leadership. The former is essentially one of power status (that is, domination, control, supremacy), and invariably conceived as a proxy for dominance or a preponderance of power. It thus follows that hegemonic actions may be construed as assertive or even coercive exercises of leadership. Yet hegemony is not the exclusive basis on which leadership may be formed or exercised. Leader actors may instead not exploit their 'hegemonic' power and supremacy through singular or independent acts but rather work more in conjunction or consensus with others, and hence more in keeping with the idea of partnership. As we discuss later on, conventional understandings of the exercise of hegemony or leadership need to be re-evaluated when studying China and Japan.

Another term or concept that is closely associated with leadership is that of 'hierarchy'. This relates more to the structure of the international system and the distribution of power within it rather than the exercises of leadership or power in a direct sense. Like hegemony, though, it is fixated with notions of dominance within the international system. According to Kang (2004), hierarchy may be considered as 'a system of international relations organised around a central, dominant power that involves shared expectations of rights and responsibilities for both the dominant and secondary powers' (p. 339). Here, the dominant power orders and maintains the hierarchical system in terms of organizing sets of rights and obligations among the regional collective, using its power judiciously. Like HST, the idea of hierarchy purports the benefits of having a dominant power at

the apex of an international system in which such an unequal distribution of power is more stable than a system where an equal distribution of power prevails. As with HST, it is founded essentially on neo-realist premises of a state-oriented international system, and is perhaps closer to hegemony than leadership as, like hegemony, it is primarily focused on 'structure'. There are in addition connections with power-transition theory, which posits that the international system is characterized by hierarchy rather than anarchy, with leading states generally ordering, adjusting and allocating within the system (Bussmann and O'Neal, 2004; Kim, 1992; Kugler and Lemke, 2000; Lemke, 2002). Here, 'status quo' leading powers may at times be successfully challenged by 'revisionist' powers, and the hierarchic system re-orders and re-structures itself in accordance to these 'power-transition' processes.

Kang (2003, 2004) argues hierarchy has been the historic tradition of East Asia's international relations, the archetypical example being China's tributary system with the 'Middle Kingdom' at the centre of orbiting 'vassal states'. Some comparison may be made here also to the US's 'hub-spoke' security relations with many states in East Asia and the Asia Pacific. Kang (2004) more specifically comments that, 'Asian international relations conform more to a pattern of hierarchy than to a pattern of balancing. Hierarchy is more stable than realists have allowed, and in international relations it is often the absence of hierarchy that leads to conflict' (p. 339). He further contends that, 'In contrast to balance of power, a hierarchic perspective see equality as most dangerous, because two roughly equal states may need to resort to war to determine which state is dominant' (Kang, 2004: 344). This is a tacit reference to China and Japan, yet it still is based on realist assumptions that inter-state competition and conflict prevail in the international system. In addition, Kang assumes that China is returning to the apex of East Asia's regional hierarchy. This may well transpire, but it is far from being an assured outcome.

2.2 Emerging Theories on Regional Leadership

By the very nature of their research enquiry, scholars theorizing specifically on regional leadership rather than simply international leadership per se are professing the importance of, and perhaps even a belief in a regional multipolar world system rather than a hegemonic unipolar one. As Chapter 1 contended, we now live in a world of regions, and not one supposedly shaped and dominated by the United States as some scholars would argue.¹ Rather, it is a world system populated by ever more discernible and increasingly influential 'regional powers' (Buzan and Wæver, 2003; Flermes, 2007; Hurrell, 2006; Kupchan, 1998; Lake and Morgan, 1997; Nabers, 2006). As

indicated earlier, much of the emerging literature on regional leadership nevertheless takes its cue from mainstream theories on international leadership. This has resulted in a strong emphasis being placed on the material basis or resources of regional leadership (for example in military, economic and technological power terms), as well as the notion of regional hegemonic states. There are also similarities and close connections here with the literature on 'great powers'. Indeed, for some scholars, 'regional powers' and 'great powers' are synonymous terms and entities.

In a similar vein, the term 'regional powers' has to some extent become synonymous with 'regional leaders', and consequently the idea of regional leadership (Nabers, 2006). Most references to regional powers concern the dominant or hegemonic countries within a region, and examples of these were previously noted in Chapter 1, for example Brazil in South America. As Hugo Dobson notes in Chapter 9, China, India, Brazil and South Africa have become 'outreach partners' in G8 meetings based on their regional power status. China and Japan are by far East Asia's most prominent regional powers, possessing the most significant 'regional leader actor' capability as we later discuss. Sino-Japanese relations remain problematic in many respects yet at the same time both countries have become increasingly interdependent with the other, especially economically, thus at least creating stronger mutual interests between them (see Chapter 3).

According to Flermes (2007), regional powers may be distinguished by the following determinants: (i) claim to power; (ii) power resources; (iii) employment of foreign policy instruments; (iv) acceptance of leadership by regional neighbour states. Their principal roles are as stabilizer of regional security affairs and rule-maker in the regional economy, and thus this approach draws upon certain tenets of hegemonic stability theory. Other scholars have stressed both the internal cohesion and capacity of states to perform exercises of regional leadership, thus alluding to the importance of domestic political factors generally. For example, Schoeman (2003) has explained this in terms of how the internal dynamics of the state's political system and economy should allow it to play a stabilizing role in the region. This point is made by various chapters in this book with respect to China, Japan and to a lesser extent South Korea. The study of Indonesia is also relevant. It is the second largest country in East Asia in terms of geographic size and population, and has in the past been the default regional leader of the Southeast Asian community. However, Indonesia has lacked the essential internal cohesion and capacity to perform regional leadership functions even at this sub-regional level. Internal capacity for leadership at the regional or wider international level, then, is critical. In his comparative study of Brazil, India, Russia and China as regional powers, Hurrell (2006) commented with regards to this point that,

China is in a league of its own. It is not simply that its power resources and potential development are of a different order; it is also that its power has been combined with a long-term sense of where it would like to be and that, as a state, it has to date maintained a significant degree of strength and coherence. It has also shown awareness of the degree to which its rising power is potentially viewed as threatening to others (p. 19).

As was first discussed in Chapter 1, the acceptance or 'followership' of neighbouring states to an aspirant regional leader is an important part of the equation. This book has examined more broadly how the relationship between 'leaders' and 'followers' is often structured in multilateral frameworks of cooperation, this being increasingly relevant to East Asia. Pedersen's (2002) analysis of 'cooperative hegemony' considered why regional powers pursue regional institutionalization, and thereof developing and leading regional governance structures. He goes so far as to characterize regional institutions and frameworks as essentially the foreign policy instruments of regional powers. According to Pedersen, the 'cooperative hegemony' bargain between the regional power and other members of the regional institution and framework afford significant benefits, for example: (i) *advantages cf scale*: the aggregation of power within the regional institution as a base for projecting power in global affairs; (ii) *advantages cf stability*: the regional institution helps avoid intraregional counterbalancing and fractional coalition-making among the region's states; (iii) *advantages cf diffusion*: regional institution provides an arena for diffusing the regional power's ideas, norms, thus acting as a conduit for (extending its) soft power influence. Regional powers must weigh these benefits against the costs of cooperative hegemony, namely: (i) *power-sharing*: with neighbours through regional institutions; (ii) *long-term commitment*: the arrangements are institutionalized in the regional organization/framework rather than periodic coalitional arrangements; (iii) *costly side payments*: for the regional public goods of setting up and maintaining regional institutions, and leading associated regional integration and cooperation projects. These points have relevance to the later discussion on regional-multilateralism and regional leadership in East Asia.

Overall, specific theorization on regional powers and regional leadership does not appear to have moved that much beyond the premises or analytical perspectives of mainstream thinking on international leadership. Furthermore, there is still a tendency to focus on regional powers rather than exercises of regional leadership, and very few studies have directly addressed the question of regional leadership in East Asia (Nabers, 2006). The section that follows attempts to outline a new research agenda for studying the latter subject matter, and makes a summative overview of findings from previous chapters in the process.

3. REGIONAL LEADERSHIP IN EAST ASIA: A NEW RESEARCH AGENDA

3.1 Introduction

There is a need to develop new understandings and analytical constructs on regional leadership that extend beyond the mainstream thinking on international leadership outlined earlier. Indeed, more studies on regional leadership are required generally, given current trends towards a regional multipolar world in the international system. New approaches on regional leadership should be holistic, and moreover seek out indigenous thinking and ideas from the region concerning the subject, thereby developing broader conceptions of the nature of regional leadership itself. This should involve a combining of both positivist and normative analysis but with an emphasis to explain rather than predict. Deeper research on China and Japan should yield new understandings concerning the nature of regional leadership (and regional power) in the international system, leading to a more multi-dimensional notion of regional leadership.

Furthermore, it is not just a matter of moving beyond mainstream approaches on international leadership but also what questions are being asked regarding it. For example, very US-centric questions are being asked in the mainstream IR and IPE literature concerning how China's rising power is challenging the hegemonic position of the United States, and whether China's rise may also challenge 'international' (that is, US hegemonic) norms. Another common question concerns whether China or Japan, or indeed any rising power, are simply seeking to become a 'status quo' power, and are thus averting a challenge to US hegemonic order.² Such a debate is related to the notion of the post-structuralist view of contested rationality, in that the accepted 'truths' or precepts that prevail within the mainstream discourse of any field of study should always be open to challenge, especially when new significant empirics demand it.³ Accordingly, new studies and thinking on regional leadership in East Asia could lead to a paradigm deviation from mainstream thinking on international leadership per se, or even a paradigm shift over the longer term. As Neil Renwick, for example, noted in Chapter 10, there is a sense that 'East Asia is different' with regard to its structures, processes and culture of political governance, and hence does not often fit comfortably with mainstream Western thinking on such matters. As he further argued, 'leadership' in the region is conceived less in terms of assertive hegemony, and more in terms of 'cooperation, mutuality, reciprocity and, increasingly, a commitment to multilateralism' (p. 204).

However, one of the problems of discerning East Asian theories and ideas on regional leadership is that most East Asian scholars themselves

still tend to draw upon Western-derived theories and concepts when studying the subject. This is indicative of a wider predicament in East Asian social sciences in that most of its leading lights have been PhD-trained in American and (to a lesser extent) European universities, and thus often use mainstream Western analytical reference points in constructing their own approaches on IR and IPE analysis. Nevertheless, as previous chapters have revealed, policy-makers and scholars from Japan, China and other parts of East Asia are increasingly paying attention to the issues of regional leadership. Any new research agenda on regional leadership in East Asia should explore, where they exist, distinct 'East Asian' or any other 'regional' theoretical approaches to the subject matter. Some of the chapters in this book have revealed the 'localized' discourse of Chinese and Japanese thinking on questions of regional leadership, such as 'peaceful rise', 'peaceful development' and 'Confucian peace' theories in China's academia and policy-makers (see Chapters 5, 6 and 7 in particular). At the same time, these kinds of ideas and theories are politically motivated, being largely driven by Chinese government attempts to mitigate anxieties over the 'China Threat' felt by many outside the country. Notwithstanding this point, this book has made a start at bringing together different ideas and thinking within East Asia on regional leadership-related issues.

This main section of the chapter proposes key themes of analysis for studying regional leadership in East Asia, and in doing so constitutes a start towards developing new analytical approaches on the subject matter. The intention here is not to debunk mainstream thinking on leadership as such, rather to highlight aspects of that thinking that is especially relevant to East Asia's case. More importantly overall, this section presents a thematic framework for understanding the core issues of regional leadership in East Asia, and the analytical devices used within this framework offer different ways of looking at regional leadership as a field of IR and IPR study generally. This framework is overviewed in Figure 13.1, which also incorporates an element (Main functions and benefits of regional leadership) first introduced in Chapter 1.

3.2 Multi-Agency and Multi-Structure Exercises of Regional Leadership

We first need to make the definitional point that agency broadly relates to the operative dimension of actors (that is, actors when they take action), as well as to the capacity for representative action. Agency and actor are thus closely related terms, and in certain respects more or less interchangeable terms. So when we talk of 'China', 'Japan' or the 'United States', to what exactly are we actually referring in terms of a specific definable actor or form of agency? Many conventional studies on international leadership

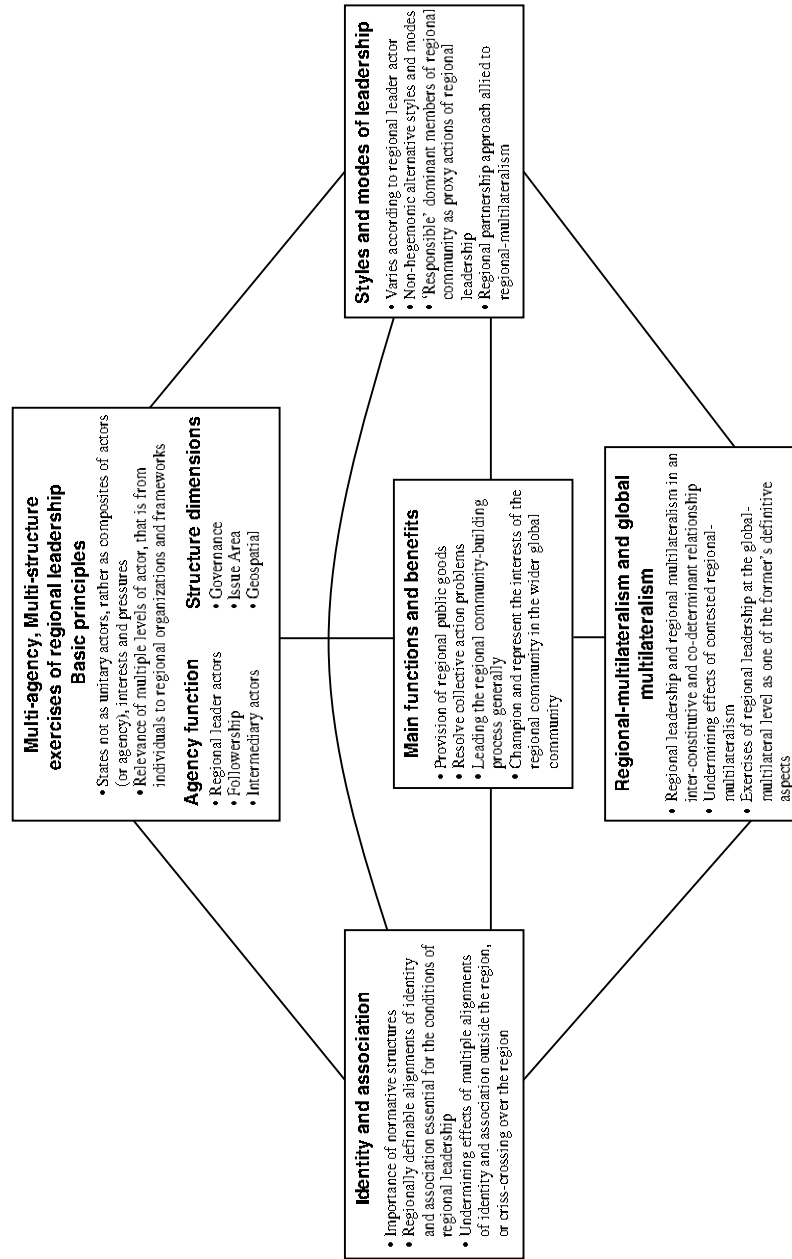


Figure 13.1 Regional leadership: a new framework of analytical approaches

tend to assume a singular state actor entity – typically a national or central government – that exercises leadership through wielding various instruments of foreign policy. However, ‘states’ are better understood as a composite of actors (or agency), pressures and interests. This principle applies to analysis of states generally but especially to Japan, China and East Asian states where the definitional boundaries between state-representative actors (that is between state and society) can often be blurred (Pempel, 1999). The so-called ‘Iron Triangle’ relationship between Japan’s (economic) policy-making bureaucrats, ruling Liberal Democratic Party politicians, and *keiretsu* big business corporations is a much studied example of this, where the formulation of ‘state’ interests and actions in both their domestic and international contexts can be notably complex. This complexity may thus involve what are conventionally conceived as ‘non-state’ actors performing certain forms of (regional) leadership, to some extent from within the state construct. For example, the *Keidanren*, Japan’s main business association, has at a particular level demonstrated some form of intellectual or advocacy leadership on the issue of free trade agreements (FTAs) in the East Asia region (Dent, 2006). Civil society organizations and groups are another non-state constituency that also have an increasing stakeholding interest in issues of regional leadership in East Asia, although are not so much an influence over determining policies in this regard. Another agency type includes sub-national political authorities and other ‘local’ actors exercising leadership at the sub-regional or micro-regional level (Breslin and Hook, 2002; Hook, 1999; Hook and Kearns, 1999; Jain, 2005; 2006). In Chapter 3, Caroline Rose discusses the important role these actors are playing in forging closer and cooperative links between Japan and China.

What we have, then, are different types and composites of agency (for example national governments as part of the wider composite of the ‘state’) that possess different forms and varying levels of regional leader actor capability or capacity, in other words the ability of certain actors to exercise regional leadership effectively. As previous chapters have discussed, China and Japan appear to possess the most significant levels of regional leader actor capability in East Asia in terms of material, ideational and agential-based resources. There are other relevant ‘agency functions’ apart from the primary one of regional leader actor to consider in the regional leadership equation. It was noted in Chapter 1 that regional leadership largely depends on the agential propensity for ‘followership’ in the region concerned. For instance, how willing are state and non-state actors from other countries in the region to defer to Japan or China’s exercises of regional leadership? Joern Dosch examined this in Chapter 8 from the perspective of the Association of Southeast Asian Nations (ASEAN) group’s fast-evolving relations with China. Of course, the very capabilities of

regional leader actors in some way elicit a followership response from other actors, yet the agential propensity for followership depends upon a range of relativity factors between and among the actors themselves (for example relative capacity dependencies; relative demand for regional public goods; relative socio-cultural factors; relative power relations), and general contextual aspects of regional affairs (for example Japan's 'burden of history' impediment to other East Asian nations exercising followership).

Another important agency function relates to the role of intermediary actors, which are those that are able to facilitate forms of regional leadership by mediating between regional leader actors, or working in conjunction with other regional actors. This function has links with the notion of coalitional regional leadership introduced in Chapter 1, as well as the later discussed analytical themes of regional-multilateralism and global-multilateralism. Chapter 12's analysis on South Korea's 'middle power' tri-lateral diplomacy with China and Japan particularly examined this type of agency function. In one respect, intermediary actors may be considered as exercising some form of regional leadership by taking on initiatives and 'responsible' actions that can affect the whole region. At the same time, intermediary actors may be essentially followers for the most part, only activating their intermediary functions from time to time. Chapters 1 and 8 discussed this point with respect to ASEAN, with particular reference to how the group has helped advance regional-multilateralism in East Asia. Thus, overall, agency function is a means of categorizing the actions or potential for actions of actors, and thus a dynamic rather than a static means of classifying actors or actor behaviour at any given point in time.

A further agential perspective on regional leadership concerns the actor-level at which leadership is being exercised. For example, the role of individuals as leader actors in international relations is now a relatively well established subject of study that has particularly focused on the relevance of a leader's beliefs, decision-making methods and inter-personal styles (Keller, 2005; McGillivray and Smith, 2004; Walker, 2006; Young, 1991). For example, individual leaders in East Asia have tried to exercise intellectual, moral or ideational leadership in the region, such as Lee Kwan Yee from Singapore and Mahathir Mohammed from Malaysia. We may thus ascertain that a particular 'leadership style' maybe co-determinant with the regime type (that is, political or organizational) of the entity being 'led'. Two main points follow on from this. First, the role of individuals can be important in regard to how certain forms of regional leadership may be exercised, for example moral, intellectual or ideational leadership. Second, these forms or styles of leadership may be transposed to some extent onto state or organization-based behaviour. For example, the moral, intellectual or ideational leadership of individual leaders serves as the doctrinal basis

of foreign policy (for example Yoshida Doctrine and Deng Doctrine – both mentioned later in this chapter), and what Burns (1978) and Walker (2006) refer to as ‘transformational leadership’ when this has ‘moral’ foundations. In this regard, the intention is to change the thinking and principles on which decision-making within the wider collective is made. This can be contrasted with transactional leadership, which is concerned with the ability of leaders to catalyse actions that lead to realized objectives. Of course, the former invariably augments the latter function of leadership.

We may also view exercises of regional and international leadership from the organization (that is, state and non-state forms) actor-level, be these state or non-state organizational forms generally speaking. As we know, the mainstream literature tends to focus on the state as a unitary organization in this respect. In addition, regional organizations and frameworks have the capacity, as potential representative agencies of the region, both to be led from the inside and to champion the region’s interests externally. These points are discussed later in the chapter under the joint theme of regional-multilateralism and global-multilateralism. Unlike the EU, East Asia has no supranational bodies like the European Commission to formally and institutionally represent the region in world affairs, albeit by some degree of predetermined inter-governmental process. Indeed, Europe is somewhat unique in this respect. East Asia’s longest-standing regional organization, ASEAN, does not represent the whole region although it is the base of larger regional groupings, such as ASEAN Regional Forum on security-related matters, and ASEAN Plus Three. While both the APT and EAS regional frameworks well represent the East Asian regional constituency, as Chapters 1 and 4 examined, they are still in relative infancy and are based on somewhat conflicting conceptions of how an East Asian community should be formed, as is later explored in more detail.

Regional leader actors are not ‘appointed’ and regional leadership should be understood more in terms of practice than status: it is the *exercise* of regional leadership that is its most definitive aspect. The above has considered this in terms of types and composites of agency, agency function and actor-level analysis. We may also understand exercises of regional leadership as being structured with respect to the three following dimensions:

- *Governance dimension*: this primarily relates to the different forms of governance structure and mechanisms through which exercises of regional leadership are operationalized. This entails a consideration of relationships regarding agency function, primarily how regional leader actors ‘govern’ their relationships with other actors, for example through rules-setting and by utilizing certain mechanisms of relational and structural power (see Chapter 8 for how this works in

aspects of China–ASEAN relations). These governance relationships are also in some way determined by the internal governance capacity, structures and norms of regional leader actors themselves. For example, how do the domestic governance mechanisms of Japan and China determine their approach to managing or governing regional leadership projects, as well as the formulation of regional leadership strategies at the domestic political level? This dimension is also concerned with how actors interact with or shape governance structures at the regional level (for example regional organizations and frameworks) to perform acts of leadership, and is thus connected with our later discussion on regional-multilateralism.

- *Issue area dimension*: regarding the various issue-determined areas in which leadership may be performed that embrace broad disciplinary or empirical domain perspectives, otherwise known as sectors of analysis. This extends beyond the traditional focus on military security and general economic leadership to include environment, energy, finance, labour, humanitarian assistance, terrorism, and so on. Specific issues can arise under thematic headings such as the above. Examples of these include the 1997–1998 East Asian financial crisis and finance, and the 2004–2005 Asian Tsunami Relief effort and humanitarian assistance. Regional leader actors may specialize in particular issue areas in accordance with their interests or advantages they possess, for example Japan's technocratic and resource-based advantages in finance and developmental assistance. Some exercises of regional leadership (for example China's relations towards Southeast Asia) may purposely embrace a range of issue areas to demonstrate a broad capacity for regional leadership.
- *Geospatial dimension*: concerning how the region in question is conceived in politico-geographic terms. This may be defined by regional organization or framework membership (for example ASEAN and Southeast Asia), and may range from the micro sub-regional (for example South China Sea zone) to the macro pan-regional. In addition, overlapping and concentric configurations of 'region' can add complexity to this multi-structure aspect of regional leadership. China's simultaneous engagements with an East and Central Asia grouping (the Shanghai Cooperation Organisation), East and Southeast Asia sub-regional projects (ASEAN–China Framework Agreement on Cooperation; Greater Mekong Sub-region), core East Asia group regional diplomacy (ASEAN Plus Three, or APT), and an Asia Pacific trans-regional grouping (Asia Pacific Economic Cooperation forum, or APEC) provide good illustration of this. It is perhaps thus helpful to think of Japan and China's involvement in

different patterns and configurations of 'regional neighbourhood' in which they exercise varying levels and means of leadership.

In this section we have discussed the multi-agency and multi-structure perspectives on exercises of regional leadership. Thus, multiple forms of regional leadership may arise and coexist simultaneously.

3.3 Identity and Association

Regional leadership only emerges if the leader actors concerned strongly identify themselves with the region in question, or at least associate themselves in some way with that region. The latter process is connected to the idea of 'associative coherence' introduced in Chapter 1, where the point was made that associative links that form between actors are largely driven by common interests and deepening social relations. Thus, Japanese governing authorities, Japanese companies and other agency groups from Japan may closely associate with 'East Asia' because of the country's extensive economic and business interests and linkages with the region.

Generally speaking, regional leadership may not easily arise when potential or actual leader actors have stronger alignments of identity and association elsewhere in the international system. Social constructivist theory has placed special emphasis on this point by emphasizing the importance of underlying normative structures that constitute actor identities and interests, which ultimately determines actor behaviour in the international system. These normative structures are usually deeply embedded at the domestic societal level, and go to the heart of a society's core values and ideological foundations. A number of chapters explored this subject matter, such as Christopher Hughes' analysis on the importance of history and national identity in Chapter 2.

There has been much debate about the extent to which, in general societal terms, China and Japan identify themselves as being 'East Asian'. To many Japanese, their country remains somewhat detached from the Asian continent or East Asia region in a similar way to how its counterpart 'offshore' island nation of Britain has often felt towards 'Europe'. Japan may, on the one hand, associate itself with the rest of East Asia due to economic, political and security-driven necessities, but the degree to which its society feels a part of an East Asian regional community – and thus a more intrinsic bond with the region – is a contentious point (see Chapter 2). Furthermore, Japan may consider itself more as an associate member of the West owing to its advanced industrial statehood, long-standing membership of the G8, and close ties with the United States (see Chapters 9 and 11). In addition, Japan's promoting of Pacific regional community-building since the 1960s

has in many ways shaped its conception of what an 'East Asian' community should look like. As Chapters 1 and 4 have discussed, this conception of the East Asia region is quite different to China's.

Concerning China itself, it has already demonstrated leadership in the developing world community, for example through the G20 coalition in global-multilateral trade diplomacy in WTO talks. As we later discuss under the theme of global-multilateralism, China, like Japan, is increasingly looking to engage with global governance issues (for example on humanitarian aid, world poverty, climate change, and so on) and from this both countries may seek to exercise leadership at the global rather than at the regional level. Yet as Chapters 1 and 9 discussed, Japan or China may use representation of their regional constituency (that is, a 'championing' regional leader) to strengthen their bid for global leadership in particular issue-domain areas.

Such multiple alignments of group identity and association in the international system can hence obfuscate Japan and China's claims to leadership in the region, especially when these alignments lie outside the region or criss-cross over it. This is also closely linked to the aforementioned overlapping and concentric geospatial dimensions to how regional leadership may be exercised. Hence, it may be unclear what 'region' China or Japan is generally (if applicable) seeking to lead, and also whether other identity or association determined alignments in the international system undermine or reinforce their regional leadership endeavours.

3.4 Styles and Modes of Regional Leadership

Chapter 1 addressed some of the important questions concerning the different styles and modes of regional leadership. While these focus primarily on the methodological aspects, they also closely relate to the new analytical approaches presented in this chapter with regard to agency, structure and norms. In Chapter 1, it was noted that both China and Japan's approaches to international leadership per se appear quite different from the 'overt hegemonic' approach of the United States (that is a more assertive utilization of a dominant position), which has been the main underlying empirical and conceptual foundational basis of the mainstream literature, as previously discussed. This may be linked to the aforementioned post-structuralist view on the contesting discourses that arise over key operative concepts, such as in our case leadership, power and hegemony (Fairclough, 2003). As was discussed earlier, leadership does not always equate with hegemony, and vice versa. Furthermore, there are many forms of leadership and many forms of hegemony, a point often missed in the mainstream literature on international leadership.

To generalize, Japan and China have to some extent both adopted non-hegemonic rhetorical and practical approaches to regional leadership. In rhetorical terms especially, there are certain aspects to this that may even be deemed to eschew leadership itself. As Steve Tsang argued in Chapter 5, China's political leaders have sought to advance the notion of the country's 'peaceful rise' and 'peaceful development' that entails acting as a 'responsible' member of the regional and global community rather than as an explicit leader as such. The political motives and reasons for this have been previously noted, the idea of a 'peaceful rise' and 'peaceful development' as a way to mitigate fears of an assertive China (Lanteigne, 2005; Scott, 2007; Sutter, 2005; Suzuki, 2007). Japan's 'stealth' or 'quiet' leadership approach has arisen out of similar imperatives (Pyle, 2007; Inoguchi, 2002). Both Tokyo and Beijing are sensitive to the anxieties felt in other East Asian countries concerning a China- or Japan-domineered region. Regarding Japan, the memory of its aggressive imperialism of the early twentieth century still lingers. Concerning China, it is the thought of a re-constituted tributary system. Both countries thus have the 'baggage of history' to deal with of sorts, and their own strategies on 'ascendant threat' mitigation.

However, Japan and China's shared apparent reluctance to pursue more explicit forms of regional leadership does not negate the *de facto* exercises of leadership that come with the various acts that a regional power behaving in a regionally responsible manner entails. Indeed, the idea of a regional power that is willing to take on responsibilities at the regional level may be considered as a communal approach to leadership, whereby exercises of regional leadership are formulated in a more consensual or collective way, both in terms of interests and decision-making processes. This is closely linked to the later-discussed issue of regional-multilateralism. For example, acting as a 'responsible' regional power would involve providing regional public goods for others without expectation of reciprocity or deference from other states. Some may interpret these as simply proxy actions of regional leadership, constituting some form of regional leadership in all but name, or the actions of seemingly reluctant regional leaders in denial about the status and position within the East Asia region. The idea of responsible regional powers is also connected with issues of identity and association: to *whom* exactly are they holding themselves responsible? Which parties would be subject to this 'social contract'?

In a region like East Asia, where two similarly weighted regional powers exist, the relationship between them is an integral part of how each approaches matters of regional leadership. Chapter 1 outlined some possible modal configurations from a 'macro-state' perspective, such as 'division of labour' leadership, general co-leadership, and coalitional leadership. As Chapters 5, 6 and 7 noted, a key reason behind China's reluctance to claim

a leadership role in East Asia is to avoid provoking Japan to both respond competitively and more actively seek the US to take a stronger interest and play a more active role in the region. In some contrast, though, Joern Dosch argues in Chapter 8 that China is looking to make more assertive bids for regional leadership through its broadening and deepening relations with Southeast Asia. He argues that here China has started to act like a traditional big power by proactively drawing up its own blueprints for regional order and pulling its smaller neighbours (that is, ASEAN member states) into its orbit. This has entailed China setting the rules and organizing a growing network of security-relevant relationships in both traditional and nontraditional security fields, this forming one aspect of the governance dimension of regional leadership outlined earlier. Dosch further contends that this is a positive development for both sides, and that the current state of relative peace in the China–ASEAN regional neighbourhood is primarily attributable to China’s role as a hegemonic stabilizer in the making. He thus contends that hegemonic stability – at least in a preliminary sense – rather than primarily regional identity-formation and ASEAN-driven community building has fostered peace and stability in this zone of East Asia. However, Japan and other East Asian states are at present far less accommodating with respect to China’s provision of security-related regional public goods. Hence, at least in this issue-domain, it is currently difficult to see an extension of this hegemonic stability role outside the China–ASEAN regional neighbourhood.

3.5 Regional-Multilateralism and Global-Multilateralism

Regional-multilateralism

There is a special emerging relationship between multilateralism and regional leadership in East Asia. Multilateralism is an inclusive concept, entailing the engagement of many parties in the co-managed pursuit of collective interests. Ruggie (1993) more elaborately defines multilateralism as

an institutional form which co-ordinates behaviour among three or more states on the basis of ‘generalized’ principles of conduct: that is, principles which specify appropriate conduct for a class of actions, without regard to the particularistic interests of the parties or the strategic exigencies that may exist in any specific occurrence (p. 11).

Regional-multilateralism is one of, if not the most important means by which both China and Japan generally are exercising regional leadership. Chapter 1 discussed how the associative, integrational and organizational coherence of East Asian regionalism has strengthened significantly over recent years, and moreover how East Asian nations have become actively

engaged in a number of regional organizations and frameworks. Contributing to the regional community-building processes of these organizations and frameworks has given Japan and China the opportunity to demonstrate their 'responsible' regional leader credentials, and has also helped mitigate the aforementioned threat-perception and fears of other East Asian states towards both countries (see Chapters 5, 6, 7 and 10). Chapter 1 explores the broad motives behind China and Japan's more ardent promotion of regional-multilateralism over recent years, and as Mark Beeson contends in Chapter 11, the US's relative loss of (hegemonic) influence in East Asia has created greater scope and opportunity for Japan and China to exercise leadership through emerging new regional-multilateral frameworks such as the APT and EAS.

What is apparent is that in East Asia, and perhaps in other regions around the world too, there is a closer inter-constitutive and co-determinant relationship between regional leadership and regional-multilateralism. Deepening regional-multilateralism in East Asia, as outlined in Chapter 1, is creating new opportunities for exercises of regional leadership to arise, as viewed from all perspectives of agency function – regional leader actors, followership, intermediary actors. For example, the APT and EAS frameworks have augmented the governance dimension under which regional leadership may arise, as well as helping to delineate the issue area dimension (through agenda-setting and programmatic action plans) and geospatial dimension (through constituent membership) that bring greater focus to where regional leadership efforts should be directed. Similarly, exercises of regional leadership can make significant contributions to the development of regional-multilateralism. For example, Japan's efforts on advancing new mechanisms of regional financial governance after the 1997–1998 East Asian financial crisis became the substantive basis of APT diplomacy and regional cooperation in the framework's formative years (see Chapters 1 and 4). China's efforts on developing closer 'regional community'-like relations with the ASEAN group have also arguably strengthened the foundations on which regional-multilateralism in East Asia can more substantively develop in the future (see Chapter 8). In one sense, then, regional leadership and regional-multilateralism are inter-constitutive, that is part of similar regional community-building processes, but nevertheless still very distinct from each other in both material and conceptual terms.

In Chapter 5, Steve Tsang outlined the basic tenets of the 'Deng Doctrine' that have underpinned much of China's recent foreign policy, one key policy objective being to secure an international environment that assists China's economic modernization, and in the meantime avoid being distracted by other countries' problems. There are similarities here to Japan's 'Yoshida Doctrine', named after Japanese Prime Minister Shigeru

Yoshida, where under his premiership (1946–1947, 1948–1954) achieving economic development was afforded greatest priority over all other domestic and foreign policy objectives, a consequence being the development of a security dependence on the US (see Chapter 2). This has remained one of the basic principles of Japan's foreign policy ever since. However, these doctrines were more applicable to the earlier stages of Japan and China's economic modernization. Their respective positions as nations in both their own regional system and the wider global system are now so prominent that there is mounting expectation from others for them to assume greater responsibility for managing or governing these systems. It is from this development that China and Japan's more active engagement in regional-multilateralism – and consequently *de facto* exercises of regional leadership – has derived. The 1997–1998 East Asian financial crisis offers a good example of this. After acknowledging that Japan was partly culpable for the outbreak of the crisis (for example from Japanese banks making bad loans across the region), the Japanese Government took leadership on advancing new mechanisms of regional financial governance, such as the New Miyazawa Initiative that was the precursor to the Chiang Mai Initiative regional system of currency swap agreements (see Chapters 1 and 4).

In the previous section, it was argued that both China and Japan were adopting a more communal than hegemonic approach to leadership in the region on the whole, in that both countries are looking to work in regional partnership with other East Asian states rather than to impose their hegemonic will upon them. Japan and China's relations with the ASEAN group provide good illustrations of this. While in Chapter 8, Joern Dosch contends that China is acting as a 'hegemonic stabilizer in the making' regarding particular aspects of its relations with ASEAN (that is, by setting the rules and organizing a growing network of security-relevant relationships), this has mostly been conducted in the spirit of partnership with its Southeast Asian neighbours on a collective basis – the foundation on which the ASEAN–China Free Trade Agreement was also negotiated. China's preference for APT regional diplomacy, which remains founded essentially on ASEAN's framework of regional relations, is further relevant here. More generally, emphasizing regional-multilateralism rather than unilateralism or hub-spoke bilateralism (*à la* the US's 'overt hegemonic' approach) as the main modal choice of China and Japan's regional leadership provides other East Asian nations with scope to circumscribe the hegemonic excesses of either of the two regional powers. This is a particularly relevant 'governance dimension' aspect of regional-multilateralism and regional leadership, especially concerning the relationship between regional leader actors and followership.

It then becomes a question of what kind of regional partnership Japan and China are seeking to make with their neighbours, and to what extent they are seeking to play 'senior' partner roles. As Shintaro Hamanaka argued in Chapter 4, regionalist projects require leader actors to originally conceive them, coordinate or manage their development, and ultimately ensure their objectives are realized. As noted above, Japan has demonstrated this in finance, yet there are many clear examples where regional leadership has not, or is not being taken in either an effective institutional or coordinated way, the 2004/05 Asian Tsunami Relief effort being an instance of this.

Chapter 1 noted that the coordination of collective action is an important regional public good produced from regional leadership. Japan and China will have a much easier path to providing regional public goods concerning economic-related issues (for example economic stability, prosperity and sustainable development for the region) than in the military security domain, as hinted earlier. Here, Japan's security relationship with the US, and the US's still highly active role in East Asia's security affairs generally, limits the scope for either Japan or China assuming ambitious exercises of regional leadership. This being said, as both Chapters 6 and 8 have made clear, China has shown more interest in multilateral security cooperation, especially at the regional level, although China and Japan are some way off being able to work together on building a regional security structure that takes into account the security concerns of both countries and their neighbours.

China and Japan are also somewhat at odds over the fundamental issue of East Asia community membership, as revealed in the summitry diplomacy of ASEAN Plus Three (APT) and East Asia Summit (EAS), with China advocating APT-based membership and Japan EAS-based membership. If such contested regional-multilateralism prevails, with both countries unable to reconcile their differences over the core membership of an emergent East Asian regional community, then this could seriously hamper the prospect of either Japan or China exercising regional leadership at this macro-level. If no agreement or at least alignment of interests can be found between the Chinese and Japanese governments here, then one side may simply decide to cancel out the other's bid to afford primacy to their championed regional framework. In general terms, the only solution would be to apply the 'division of labour' principle to both frameworks, where the APT could concentrate on particular areas and the EAS on others. Chapter 1 made a considered analysis of such options. The link between contested regional-multilateralism and regional leadership also applies on a smaller 'geospatial dimension' scale. Chapters 8 and 10 examine respectively China's leadership diplomacy deployed at regional

neighbourhood level with Southeast Asia (in relations with ASEAN) and with Central Asia through the SCO. China's promotion of these forms of subregional-multilateralism poses a challenge to Japan, which has been slow to develop these kinds of regional neighbourhood links. One possible reason for this is Japan's geographic position as it lacks the geo-centrality and contiguous border links that China possesses in the East Asia region. This is notwithstanding Japan's considerable economic reach within the region and beyond.

Another possible area of contestation may concern the ideas, values and norms, as well as identity formation and association alignments that underpin East Asia's emergent regional-multilateralism. This may be linked back to the previous themes of soft power, identity and association covered earlier in the chapter. The prospects of regional leader actors championing uniquely East Asian values and norms have been debated in some quarters, but the goal of establishing the basis of such common values and norms has proved elusive. East Asia is a highly diverse region, and moreover China and Japan's approaches to regional leadership and regional-multilateralism will be determined by the inherent values, norms and alignments of identity and association particular to each nation and its constituent actors. These elements are also directly relevant to agenda-setting and discourse control within multilateral organizations and frameworks. Applying this to East Asia's emergent regional-multilateralism, as nations with the most significant regional leader actor capability, Japan and China possess considerable influence over what is discussed (agenda-determination) and how it is discussed (discourse-determination, and its particular terms of reference) within regional forums. For example, Japan was successful at making regional financial governance the main priority area of the APT framework from the earliest stage of its development, although there was strong consensus among the regional group to comply with this for reasons stated earlier. It is interesting to note that the US has been relatively less successful at fixing security issues into the agenda and discourse of APEC diplomacy (Beeson, 2006).

Global-multilateralism

There are two main aspects to the relationship between regional leadership and global-multilateralism. The first concerns how regional leader actors may champion and represent the interests of the regional community in the wider global community, as noted in Chapter 1. The second relates to how exercises of regional leadership affect the nature and functioning of the chief mechanisms of global governance, such as the G8 and the United Nations. Hugo Dobson considered both these aspects in Chapter 9 when examining the roles of Japan and China played in G8 and United Nations

diplomacy. Notwithstanding the extensive literature on hegemonic stability theory, Sjostedt (1999) and Underdal (1994) contend that leadership in multilateral institution-building remains a somewhat neglected subject of scholarship. Given the growing importance attached to challenges of global governance (for example climate change, world poverty, drug trafficking, terrorism) and the critical roles played by global-multilateral organizations and frameworks in addressing these challenges, how these are 'led' is thus also of great importance. A principle noted earlier in relation to regional-multilateralism also applies here, that establishing global-multilateral organizations or frameworks needs leader actors to originally conceive programmes of action, coordinate or manage their development, and ultimately ensure the realization of their objectives.

In the contemporary era, Japan has had a longer-standing prominence in the global system than China on most fronts, especially in the economic domain after becoming the world's second largest capitalist economy after the US from the early 1970s onwards. It was recognition of this status that was the main qualification of being an original member of the G7/8 group. As Hugo Dobson notes in Chapter 9, the Japanese government vocally and implicitly staked a claim to leadership, to a lesser extent within the G8 as a mechanism of global governance, and to greater extent of the East Asian region within the G8. He further notes that Japan made a great deal of the fact that the 1979 Tokyo Summit was the first summit to be held in Asia, and has often looked to champion or at least represent East Asian interests in the forum, although this has been a far from consistent pattern. Yet there remains a widespread belief that Japan could be doing more as a responsible global citizen, and that the nation should move beyond the somewhat introspective and passive approach (that is the legacy of the Yoshida Doctrine) that still defines its foreign policy.

China's ascendancy within the global system has of course stirred a great deal of interest, not least regarding the implications for issues of global governance and the geopolitics of global multilateralism generally. As Hugo Dobson comments in Chapter 9, the Chinese government has been traditionally wary of the G7/8 grouping, seeing the forum as a Western-oriented mechanism of global governance that among other things did not sufficiently embrace the interests of the developing world community. In this latter respect, China – along with the other new observer or 'outreach' 'G8+5' members of Brazil, Mexico, India and South Africa – can play an important role. Many of the key challenges of global governance are rooted in the inherent problems faced by developing countries that in turn derive from structural imbalances in their relations with developed countries.

Dobson raises important questions, however, of how an expansion of the G8 may compromise the forum's coherence in terms of not easily

reconcilable interests, values and norms between the core G8 members and their 'outreach' partners. Yet this is integral to the great challenge of advancing forms of global governance generally, which can only be achieved if the breadth of world society is enfranchized or represented in this constructive process. This matter is also connected to the previously discussed issue of China's identity and associative alignment being arguably as much with the developing world community as with its neighbouring East Asian nations. China has already demonstrated coalitional leadership in the global G20 network of larger developing countries in WTO Doha Round multilateral trade negotiations. It may therefore transpire that Chinese government sees the nation's comparative leadership advantage at this global level rather than at the regional level in an overall sense. Japan too has much to offer regarding global-level leadership on developing country issues, especially when taking into account its substantial development assistance given to East Asian and other less-developed nations since the 1960s, and, like China, given the considerable financial resources Japan has at its disposal.

4. CONCLUSION

This concluding chapter has served three main purposes. First, to overview and critique the mainstream international relations (IR) and international political economy (IPE) literature on international leadership, which to date has been largely dominated by American scholarship, and consequently retains an unhelpful US-centric empirical bias. Second, to review the emerging but still notably under-developed scholarly literature and thinking on regional leadership specifically. It was noted that this relatively new field is still mostly grounded in mainstream theoretical and conceptual approaches on international leadership, and consequently pays insufficient attention to the following: (i) states not just as unitary actors (rather than a composite of actors, interests and pressures) in the international system; (ii) the role of non-state and sub-national actors in regional leadership; (iii) hegemony and leadership as distinguishable rather than synonymous concepts; (iv) differentiated agency function regarding the facilitation of regional leadership; (v) regional alignments of identity and association as determinants of whether leader actors seek regional leadership; (vi) broader discourses on how different styles and modes of regional leadership may arise; (vii) how regional leadership and regional-multilateralism closely relate to each other and may to some degree be involved in an inter-constitutive and co-determinant relationship.

The third purpose of this chapter has, then, been to address the above theoretical, conceptual and empirical limitations and deficiencies. These were discussed under four key discursive themes: multi-agency and multi-structure exercises of regional leadership; identity and association; styles and modes of leadership; and regional-multilateralism and global-multilateralism. Under these themes, new analytical approaches and thinking on the nature of regional leadership were presented. It was argued that conducting deeper research on China and Japan should yield new understandings concerning the nature of regional leadership (and regional power) in the international system, leading to a more multi-dimensional notion of regional leadership. It is hoped that this book's study has made a valuable contribution in this respect, and helped define a new agenda for further research into this important subject.

NOTES

1. See Katzenstein (2005) for an example of a US-centric interpretation of this new regional world order.
2. I am indebted to Shogo Suzuki for conveying this point to me.
3. In commenting generally on the nature of mainstream American scholarship on international relations, Smith (2002) argued that, 'The hegemonic discourse of US International Relations . . . omits by definition much of world politics, and competing notions of rationality, and other regimes of truth' (pp. 84–5).

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